Austria	Sch22	Indonesia	Rp3100	Portugal	Esc120
Bahrain	Din0.650	Israel	NIS3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1700	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta145
Cyprus	C£0.90	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr10.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$L125.00	Switz	SFr2.30
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rm4.25	Thailand	Bt50
Germany	DM2.50	Mexico	Peso500	Tunisia	Din0.800
Greece	Dr120	Morocco	Dh6.00	Turkey	L600
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,520 — Friday April 22 1988 — D 8523 A

Tilting at the Tory monopolists: Lombard, Page 23

World News | Business Summary

US Congress passes trade bill despite veto threat

US House of Representatives last night passed a trade bill aimed at making industry more competitive in the world despite President Reagan's threat to veto it in its present form.

Gore out of race

Tennessee Senator Albert Gore suspended his presidential campaign, reducing the Democratic nomination fight to a two-man contest between Michael Dukakis and Jesse Jackson.

Honduras alert

Hundreds of troops backed by tanks moved into Tegucigalpa, Honduras, as the armed forces accused left-wing terrorists of plotting violence during a planned march in protest against US control over the Government.

Algeria rejects criticism

Algeria emphasised that it would be impervious to any international criticism of its mediation in the hijacked Kuwait Airways affair which saved the lives of 31 hostages but apparently allowed the nine hijackers freedom from any judicial proceedings.

Panama shooting

US guards near two American military bases in Panama fired on intruders in incidents similar to two which occurred last week, the Pentagon said.

Lebanon banks closed

Banks closed in Lebanon as workers responded to a general strike call over pay. In other sectors the stoppage was virtually ignored.

Fusion study begins

An international project to examine the feasibility of producing almost limitless sources of energy with nuclear fusion began in Vienna.

Comecon 'isolated'

Soviet Prime Minister Nikolai Ryzhkov sharply attacked Comecon, the Soviet-led economic and trading bloc, which he said had become isolated in the past 20 years. Page 3

Bribery ruled out

The Indian Government said official investigations into a 1981 submarine contract, worth $400m, with Howandtswerke-Deutsche-Werft of West Germany had produced no evidence to support allegations that 7 per cent bribes were paid. Page 4

Senegal rioting

Rioters burned cars and threw stones at police near the presidential palace in Dakar as opposition leader Abdoulaye Wade was brought to trial at the Supreme Court charged with "attacks on the internal security of the state." Page 4

Ciskei shootout

Two black South African policeman were killed in a shoot-out with at least one ANC guerrilla cornered in a house in the Ciskei tribal homeland.

Kidnap rescue

Police in Dhaka said they had rescued nearly 100 kidnapped Bangladeshis, mostly women and children, destined for sale overseas.

Locust plague spreads

The UN Food and Agriculture Organisation said that a plague of desert locusts in north Africa had spread more rapidly than expected, already reaching some west African countries.

Turkish tyre strike

About 1,300 workers at a tyre factory in Izmir, western Turkey, went on strike in a wage dispute.

EC aids handicapped

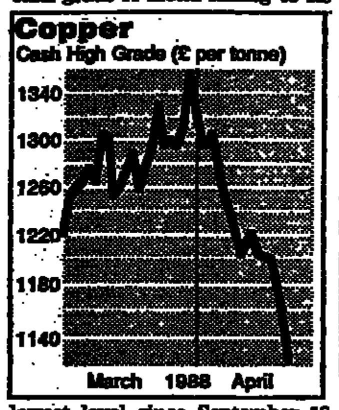
The EC announced the launch of an Ecu19m ($23.6m) four-year programme to help more than 30m handicapped people in the 12-nation bloc.

ACEC and Alsthom set up joint subsidiary

ACEC, Belgium's heavily loss-making electrical engineering and electronics company, is to merge a key area of its activities into a joint subsidiary with the French company Alsthom, leading electrical contractor. The move is part of a wider reorganisation plan. Page 24

RUPERT MURDOCH'S News Corporation announced it planned to sell its Boston television station WFXT. This is despite a recent Court of Appeals ruling overturning the Kennedy-Hollings Amendment prohibiting ownership of television stations and newspapers in the same market. Page 25

COPPER PRICES fell again on the London Metal Exchange with cash grade A metal falling to its



lowest level since September 18 ending down £32.50 a tonne at £1,125. Page 34

TOKYO: Wednesday's fall on Wall Street dampened enthusiasm and share prices slipped slightly in thin trading. The Nikkei average ended 35.93 points lower at 26,828.16. Page 46

WALL STREET: The Dow Jones industrial average closed up 1.99 at 1,987.40. Page 46

LONDON: The strong start on Wall Street boosted international stocks, although volumes remained low. The lead from New York outweighed a strong pound and increases in UK bank lending and money supply, leaving the FT-SE 100 index 5.1 better at 1,791.9. Page 42

DOLLAR closed in New York at DM1.6685, Y124.35, SFr1.3785 and FFr5.6660. It closed in London at DM1.6635 (unchanged); Y124.15 (Y123.95); SFr1.3750 (unchanged); and FFr5.65 (unchanged). Page 35

STERLING closed in New York at $1.8935. It closed in London at $1.8985 ($1.8935); DM3.1575 (DM3.1475); Y235.75 (Y234.75); SFr2.61 (SFr2.6050); and FFr10.7275 (FFr10.6975). Page 35

ITT, big US conglomerate entering its third year of recovery, has reported a 20 per cent improvement in first-quarter net income. Page 28

US GOVERNMENT ran up a $29.1bn dollar budget deficit in March, but the amount in the first six months of the fiscal year was 3.5 per cent less than the same period last year, the Treasury Department said.

BASF, big West German chemical group, reported a rise in net profits last year and a maintained DM10 dividend. Page 26

TANDY, major US electronics manufacturer and retailer, launched a new high-performance personal computer that "clones" IBM's Personal System/2 computers. Page 25

COMPAQ COMPUTER, Texas-based personal computer manufacturer, more than doubled its first-quarter sales and earnings, the company reported. Page 25

SCHLUMBERGER, leading US oilfield services company, reported a sharp improvement in first quarter earnings. Page 25

RJR NABISCO, diversified US consumer products group, has reported record first-quarter earnings. Page 25

SIR TRISTAN ANTICO, giant of Australian corporate scene, is stepping down as chief executive of Pioneer Concrete Services, building products and resources group. Page 27

Iraq displays the battered remnants of fighting in Fao

BY ANDREW GOWERS IN THE FAO PENINSULA, IRAQ

"ALLAH IS THE GREATEST. Down with the Saddam. Welcome."

The graffiti in English stared forlornly from the wall of a deserted building in the southern Iraqi town of Fao yesterday, one of the many testimonies to the recent enforced departure of Iranian Revolutionary Guards from the peninsula.

The street outside was strewn with shells. Across the road, what appeared to be an abandoned education centre was piled high with dusty schoolbooks in Farsi explaining the mysteries of physics and biology.

A few yards further on, lurid wall portraits of Ayatollah Ruhollah Khomeini, Iran's spiritual leader, and his chosen successor, Ayatollah Montazeri, were riddled with bullet holes. From the middle distance – and sometimes from a good deal closer came the muffled thud and rumble of Iranian and Iraqi artillery across the Shatt al-Arab waterway.

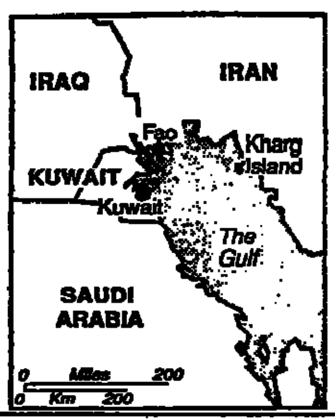
This, then, was Fao, a miserable triangle of mud, dust, brackish water and barbed wire at the northern end of the Gulf, from which the Iraqi army and Republican Guards triumphantly chased the Iranian invaders after a two-year occupation of its southern tip.

Anxious to spread word of what they call their "victory," the Iraqi authorities have now turned the barren peninsula – most of whose buildings have been reduced to heaps of rubble – into a grotesque tourist attraction for visiting journalists and resident diplomats.

The recapture of Fao, proclaimed on Monday after what the Iraqis say was a 34 hour battle, is certainly a considerable psychological boost for Baghdad. It is the first time that Iraqi forces have managed to push back the Iranians in any major way since the very first months of the war. Some officials are even inclined to boost that a turning point in the 7½ year old conflict has been reached.

The Iranian presence on Fao, albeit confined to the southern 20 kilometres of the peninsula, completely blocked Iraq's access to the Gulf and was used as a launching pad last year for Chinese-made silkworm missiles

Continued on Page 24
Israel exploits Chinese links, Page 24. Other Middle East reports, Page 4



Botha defies Right in commitment to black power-sharing

BY ANTHONY ROBINSON IN JOHANNESBURG

PRESIDENT P.W. Botha of South Africa yesterday offered blacks a voice in electing the country's head of state and defied rising white racism by reconfirming the Government's commitment to multiracial power sharing.

Mr Botha, speaking in Parliament yesterday, also suggested recreating the post of Prime Minister, thus diluting the Gaullist-style powers and duties given to the State President by the 1984 constitution.

At present Mr Botha is the head of state, party and government, a concentration of powers last seen in the hands of the late Soviet President, Mr Leonid Brezhnev.

The President was making his first major speech since the white supremacist Conservative Party (CP) trounced his ruling National Party (NP) in three by-elections last month.

He signalled his intention to carry on the dogged search for a gradualist power sharing formula, which would bring blacks closer to the decision-making process while still excluding them from parliament and real power.

Mr Botha's speech came just a day after the CP revealed an election manifesto which pledged "to fight to protect white rights" and restore all the apartheid laws abolished over the past three years of "apartheid reform."

He called for the support of all those who saw whites in general and Afrikaners in particular as "part of the solution" to South Africa's problems.

Mr Botha explained that recreating the post of Prime Minister to look after routine government affairs would free the President for a more strategic policy role, especially in regard to bringing blacks into the system.

He proposed that the presidential electoral college should be extended to include nominated blacks. It is presently made up of 88 members nominated from each of the three racially segregated chambers of parliament but with a built-in white majority.

He also suggested that blacks should be admitted to a reformed President's Council, the high-level policy advisory body, and also hold executive positions in government up to deputy minister rank "for example, to assist the Minister of Constitutional Affairs or the Minister of Education," he said in response to CP interjections.

Mr Botha made clear that the new offer to blacks was aimed at persuading black "moderates" to join the Government's proposed National Statutory Council.

The council has been conceived by the Government as a multiracial body to discuss a future power-sharing constitution, and to consult on policy formation. However, it has been rejected by key figures such as Zulu Chief Mangosuthu Buthelezi until the Government lifts the ban on the African National Congress.

UK Government suffers currency switch setback

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

THE UK Government's efforts to switch substantial amounts of its currency reserves from dollars into D-Marks have been severely curtailed by concern among other central banks that such operations might undermine support for the dollar.

The Bank of England has added foreign exchange worth more than $20bn to its reserves over the past year, largely as part of the Government's effort to stabilise the pound against the D-Mark. Most of the intervention has been in the form of dollar purchases because of the relatively small scale of direct sterling/D-Mark trading in London.

It is understood, however, that towards the end of last year the Treasury, which owns the reserves, told the Bank to swap significant quantities of dollars for D-Marks.

The move coincided with speculation in financial markets that the Government was facing heavy losses on its intervention because the value of the dollars the Bank had purchased earlier in the year had fallen sharply. The Treasury, which maintains strict secrecy about the composition of the reserves, has consistently refused to comment on the operations, but ministers are said to have been aware of the possible political embarrassment of short-term losses on dollar purchases.

There was also concern within the Treasury that Mrs Margaret Thatcher, the British Prime Minister, who has long been unenthusiastic about intervention because of its initial expansionary impact on the money supply, would view the potential losses as a further argument against efforts to keep the pound stable. It was the massive scale of intervention needed to hold sterling below DM3.00 that led the Prime Minister to abandon the ceiling just before the March Budget.

The diversification into D-Marks brought protests from other central banks because of the threat that it might undermine their own efforts to support the dollar. There was also concern in France, in particular, that British purchases of D-Marks might create instability in the European Monetary System. The Bank is said by monetary officials overseas to have been sympathetic to these arguments.

Ironically, Britain faced a similar dispute in 1985, but for the opposite reason. Then it was criticised for buying dollars at a time when other cental banks were selling the US currency in order to push it down

As a result of the latest disagreement, the Bank is thought to have told its counterparts in the US and Europe that it would limit its D-Mark purchases. That does not mean it will be prevented from buying D-Marks in the open market, because it needs the West German currency in order, among other things, to pay for the British Army on the Rhine. Further large-scale diversification, however, has been ruled out for the time being.

This is likely to intensify the difficulty of Mr Nigel Lawson, the UK Chancellor of the Exchequer, in using intervention to stabilise the pound and may help to account for the greater emphasis he has been putting on cuts in interest rates.

THE Bank of England intervened in currency markets to try and stem the rise in the pound after March money supply figures showed another surge in credit demand. Details Page 11

Reagan warns Moscow as Shultz resumes arms talks

BY STEWART FLEMING IN WASHINGTON AND QUENTIN PEEL IN MOSCOW

MR GEORGE SHULTZ, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, met yesterday in an effort to make progress on a deal to cut strategic nuclear weapons. They did so as President Ronald Reagan delivered a toughly worded speech in the US warning the Soviet Union over its actions in Afghanistan.

Mr Reagan warned that "any spreading of violence by the Soviets or their puppets" in Afghanistan could remove the promise of improved East-West relations inherent in the signature earlier in the month of the Geneva Accords providing for the withdrawal of Soviet troops from the area.

Conservative Republican critics accuse the Reagan administration of concluding a messy and unsatisfactory compromise on the withdrawal of the 115,000 Soviet troops from the region and of conducting a headlong rush towards détente with Moscow which would include the signature at next month's summit of an ill-conceived "framework" agreement on the reduction of strategic nuclear weapons.

Mr Shultz and Mr Shevardnadze met to try to advance an agreement on a 50 per cent cut in their strategic arsenals in time for next month's US-Soviet summit. But, in spite of a brave attempt to present the atmosphere as cordial and constructive, few officials on either side now believe that full agreement is in reach. The latest round of negotiations is seen rather as an attempt to find enough common ground on other issues – including bans on both large-scale nuclear tests and chemical weapons – and an agreed path to settlement of conflict in the Middle East.

Official spokesmen were giving nothing away during the early hours of two days of scheduled talks, although they revealed that both sides had brought their Middle East specialists to the meeting, in addition to their full teams of arms advisers.

The key issue bogging down the agreement on strategic arms reduction is seen to be the problem of how to inspect the two most elusive categories of weapons – sea-launched cruise missiles.

Continued on Page 24

US changes tactics on Panama

BY DAVID GARDNER IN PANAMA CITY

THE US administration has changed tactics in its attempts to oust General Manuel Antonio Noriega, Panama's military strongman, and is adopting a more conciliatory approach.

Though still intent on securing the General's removal, Washington tacitly recognises the use of economic and financial sanctions has so far failed.

A US delegation led by Mr Michael Kozak, a senior State Department official, and including representatives from the Pentagon, the National Security Council and the Central Intelligence Agency, left Panama yesterday after the first direct talks Washington has held with the regime since its attempt to persuade Gen Noriega to step down failed on March 20.

Previous discussions have been dominated by the State Department which convinced other branches of the Reagan administration that Gen Noriega would be removed speedily by the combined effect of diplomatic isolation and economic sanctions.

The US stepped up sanctions against the regime after Gen Noriega summarily sacked figurehead President Eric Arturo Delvalle on February 26. With US backing, Mr Delvalle had tried to dismiss the army leader, who has been under indictment on serious drugs charges in Florida since February 5.

The regime was already close to bankruptcy when its remaining liquid assets in the US were frozen, and Washington started to withhold $15.1m a month due from Panama Canal and trans-Isthmian oil pipeline revenue. Subsequently, American companies have been banned from paying taxes to the Panamanian Government.

The new mood of realism which appears to be surfacing in relations between the Noriega regime and Washington has spread to the right-wing opposition in Panama. They too believed the US would by now have removed the General, and with far less damage to its economy.

Representatives of Dr Arnulfo Arias, the ageing former right-wing populist president last ousted by the PDF in 1968, are reliably reported to be discussing the terms of a transitional regime with the government.

Dr Ricardo Arias Calderon, the Christian Democrat leader, earlier this week called for a national dialogue which takes PDF interests into account.

Possible Noriega successor sacked, Page 6

Japan's Big Four securities houses see profits slide

By Ian Rodger in Tokyo

THE PROFITS of Japan's powerful Big Four securities houses – Nomura, Daiwa, Nikko and Yamaichi – have taken a rare tumble in the wake of last October's worldwide stock market crash.

The four, which have risen rapidly in recent years to join the first rank of the world's financial institutions, yesterday reported pre-tax profit declines ranging from 20 per cent to 39 per cent in the six months to March.

Many leading European and US stockbrokers and merchant and investment banks have already disclosed substantial profit setbacks resulting from the October crash.

However, while securities houses elsewhere still seem uncertain about the near-term outlook, the Japanese companies all expressed confidence that their profits would recover in the current second half.

They blamed the profits slide, not so much on a retreat in share prices, but on the accompanying fall in trading activity in Tokyo.

Volume on the Tokyo Stock Exchange fell from a daily average of 1bn shares in September to 464,000 in November.

But share prices there have recovered strongly in the past couple of months surpassing pre-crash peaks in many cases, and trading activity has picked up again.

Profit figures from the Big Four, covering parent company results, mainly concern their activities within Japan.

The consolidated figures, which come later, may show larger declines because of tougher conditions faced by overseas subsidiaries following the crash.

Nomura reported that its brokerage commissions dropped 31 per cent.

The slump in brokerage business for the four was offset to some extent by a huge increase in new issue activity.

They earned an aggregate Y30.1bn ($240m) from the sale in November of 1.9m shares of Nippon Telegraph and Telephone (NTT).

The Japanese Government's sale of its shares in Japan Air Lines last November and a series of rights issues by Japanese banks also helped the underwriting business.

Details, Page 28

CONTENTS

South Pacific islands wait for France to show its hand

BY CHRIS SHERWELL, RECENTLY IN PAPEETE AND NOUMEA

WHEN French voters begin electing a new president this Sunday, their country's foreign policy and its standing abroad will be far from their minds. But their choice will shape the stability of the other side of the globe, in the strategically important South Pacific.

Two key territories are involved: French Polynesia, five archipelagos centred on Tahiti and spread over an area the size of north-western Europe; and the islands of New Caledonia, six hours' flying time in the direction of Australia.

In French Polynesia (population: 185,000), local politics is in ferment because of the disintegration in December of the territorial government and the isolation of Mr Gaston Flosse, a local figure appointed by Prime Minister Jacques Chirac as France's South Pacific troubleshooter. At the same time indigenous Polynesians are displaying a reawakened yearning for independence.

In New Caledonia (population: 150,000), racial tensions are again escalating as the intimidatory tactics of white settlers and the metropolitan French government push frustrated black Melanesians towards violence in a last-ditch bid to advance their independence cause.

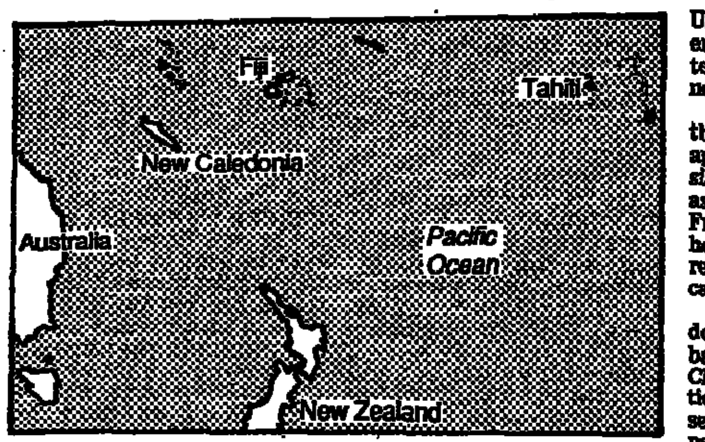
Developments in both territories affect France's fragile relations with Australia, New Zealand and the other 13 countries of the South Pacific Forum. All are concerned by France's continued nuclear weapons testing at Mururoa atoll, and by the prospect of fresh trouble in New Caledonia.

The disturbing absence of tranquility also fits awkwardly with traditional notions about these Pacific territories. For many, Tahiti evokes romantic images of Captain Cook, of Captain Bligh and the Bounty, of friendly natives and coral islands.

Likewise New Caledonia, from Japan to Australia, is seen as a neighbourhood St Tropez offering an authentic taste of France, rather than an incipient Algeria.

Bloody racial clashes are part of New Caledonia's history, but the most recent, in 1984-85, underscored the need for a peaceful solution.

The Kanaks argue they are being culturally and economically destroyed. Their moderate leader, Mr Jean-Marie Tjibaou, hovers between their withdrawal from conventional politics and the creation of more martyrs.



Inasmuch as Mr Mitterrand's re-election would bring a new government, the Kanaks feel it offers the better hope. But it would also threaten a backlash by white settlers, perhaps a declaration of unilateral independence if they thought policy was no longer in their favour.

That would make the difficult peacekeeping role of France's 8,000 troops and police particularly dangerous. But the alternative is worse: a potentially futile attempt to contain a rural Melanesian resistance movement.

If much of this is the harvest of three decades of mass immigration, it has been driven only partly by France's desire for New Caledonia's massive nickel resources. More important has been its determination, once it turned to Polynesia in the mid-1960s for its nuclear weapons tests, to secure a position in the Pacific.

Indeed, were France not so irrevocably committed to an independent deterrent, or were it prepared to conduct its tests at home or (like the British) in the US, Paris would not have its present difficulties with its Pacific territories and their anxious neighbours.

Mr Chirac moved to confront these problems in 1986 by appointing Mr Flosse, a Polynesian politician and businessman, as special minister. Helped by French propaganda and money, he has had some success in the region. But he has run into political trouble at home.

Like Mr Lafleur in New Caledonia, Mr Flosse is a major backer and close friend of Mr Chirac. Unfortunately his activities on behalf of Paris and himself forced him early last year to pass the leadership baton locally to a trusted acolyte.

Last October, things changed. Confronted by dock strikes in Mururoa and the capital Papeete, the French government threatened force. Riots followed.

Nothing like this had been seen before in Tahiti. A few weeks later, Mr Alexandre Leontieff led a breakaway group from *Mr Flosse's now-discredited* majority party and joined with the opposition to oust Mr Flosse's embarrassed successor and form a new territorial government.

Mr Leontieff's coalition is highly fragile. Like Mr Flosse, he backs Mr Chirac, but Mr Flosse is making the running in the local presidential campaign, clearly hoping for a springboard to fight back. With other ministers campaigning for Mr Mitterrand, the forthcoming vote is a test of local *support*.

FRENCH ELECTIONS

More important, because the Leontieff government includes individuals against France's nuclear testing and in favour of early independence for French Polynesia, the vote has major implications for Paris.

French Polynesia, with its easier racial mixing, is undoubtedly a more relaxed place than New Caledonia, despite undergoing one of the swiftest modernisations anywhere.

But as in New Caledonia the *independantistes* are only tolerated up to a point. When modern television brings pictures instantly from violent trouble spots like the Gaza Strip or Northern Ireland, the old formulas for political containment look less dependable.

Paris knows its ultimate control of the two territories depends on the depth of its pockets. For now the colossal subsidies – at least $5,000 (£2,650) a head a year – are accepted in France, although the settlers enjoy big salaries and no income tax.

Indeed, French officials overlook the breathtaking inequalities in these societies and justify France's Pacific presence by pointing to the truly impoverished independent micro-states of the Pacific.

Mr Drollet's answer is simple and familiar. He says he'd rather be a lean dog without a chain than a fat one tied up.

Volvo plans big changes in car assembly

By John Griffiths

VOLVO WILL embark in the autumn upon a radically new way of building cars in relatively high volumes, of up to 80,000 units a year.

Under the new system, a vehicle undergoing assembly will remain static at a work station for up to two hours. It will be moved only four times during the entire production process.

The concept is to be used in a plant being built at Uddevalla, near Volvo's main car plant at Goteborg.

It will come on stream in September, building part of the Swedish executive car-maker's 700 series range, and reach full output in 1990. It will employ about 1,000 and have an annual single-shift capacity of 40,000 cars. But output of only 10,000 is envisaged in the first year.

Currently, Volvo is operating at full capacity for its larger cars of 300,000 units a year, excluding the small 300 Series cars built by Volvo Car BV of the Netherlands, in which the Swedish company has a 30 per cent stake.

Volvo officials make clear that the Uddevalla plant is seen as setting the pattern for its other car plants in Sweden. The main Goteborg plant will be broken up into similar small production units as new models, designed to take advantage of such production systems, are introduced.

Smaller numbers

"Back in the 1960s, there were 10,000 working in the Goteborg plants – that was too many and one of the reasons for building Kalmar," according to public affairs executive Mr Lars Nesser. "Now we think 1,000, at most 1,200, is a good number of people working together."

More than 30 fixed assembly sites are planned within Uddevalla, each of which will process four cars a day in full production. Each site will have its own team of workers, who will have much more complex tasks to perform than is the case with conventional assembly lines.

This, Volvo believes, will create much more job satisfaction, with benefits for the company in improved quality.

The plant should thus display in near-ultimate form the "team" concept of assembling cars which Volvo pioneered at its Kalmar plant, on Sweden's south-east coast, almost 14 years ago.

At Kalmar, which recently has begun devoting its own 30,000-cars-a-year capacity entirely to the new range-topping 760 model, small teams of 15-25 workers assemble a car in stages as it moves sequentially through a ring of 25 "workshops" on the outer edges of a hexagonal-shaped building. The teams draw their components from a central store at the building's hub.

Guided platforms

Unlike a conventional assembly line, the vehicles at Kalmar are carried on computer-controlled and guided platforms, or Tellus carriers.

However, while Volvo in the past has proclaimed Kalmar's methods as a breakthrough ending production line boredom and its attendant quality risks, the differences are mainly of degree.

Team members perform a greater variety of tasks than on a normal line as the car progresses through the team's zone, and workers decide between themselves how jobs should be rotated. But the Tellus carriers themselves act as an assembly line, moving at a speed set by a central computer.

The system is more flexible than an assembly line in that cars needing some form of rectification can be quickly moved into buffer zones in each team's area so that overall production flow is not disrupted.

But Kalmar plant director and Volvo Car Corporation vice-president Mr Leif Karlberg acknowledges that it is with some disappointment that Volvo has had to abandon (temporarily, it hopes) what was conceived as a key benefit of the team approach: team members taking responsibility for inspection and quality maintenance, as in Japanese assembly plants.

Paul Betts and George Graham profile the nine runners lining up on Sunday in the French presidential race

Mitterrand: the great illusionist casts another spell

THE HOT favourite. Aged 71, the Socialist President kept everybody guessing until last month whether he would seek a second, seven-year mandate at the Elysée, writes Paul Betts. It will be the fourth time François Mitterrand is running in a presidential race. He was defeated by General de Gaulle in 1965, and then by Valery Giscard d'Estaing in 1974 before beating him in 1981.

Nicknamed in France the sphinx, the great illusionist, the Florentine or "Tonton" – uncle in nursery French (which he likes) – Mr Mitterrand is universally regarded as the most accomplished and cunning politician in France. The Socialist leader, who has played down in the current campaign his Socialist credentials in an effort to swing the centre to his cause, was born on 26 October 1916 at Jarnac in the Charente into a respectable provincial bourgeois Catholic family. His father was a stationmaster at Angouleme and Mitterrand was educated at a private school.

After the war and an active role in the Resistance, he became a political opponent of General de Gaulle. Then aged 30, he became a deputy for the Rassemblement des Gauches Republicaines, a rag-bag of centre-left movements. He was a government minister 11 times between 1947 and 1957 in a Fourth Republic in which he thrived. Some of his opponents are now accusing him of seeking to re-establish a Fourth Republic political system with his re-election.

He remodelled the Socialist Party and took over the reins of the modernised party at the Congress of Epinay in 1971. To unify the left and, as appears in retrospect, to ultimately weaken the Communists, Mr Mitterrand was one of the main architects of the common programme with the Communists. After his election to the Elysée, he brought four Communist ministers into the first Socialist Government. In 1984, the divorce with the Communists was consummated. Mr Mitterrand had turned the Socialists into the biggest party in France, forcing the Communists into the ghetto and unshackling himself for his overture to the centre.

Chirac: seeks to end shotgun marriage

PRAGMATIC for some, cynical and lacking in convictions for others, the smiling and energetic Mr Jacques Chirac (55) comes to the election after two years of "cohabitation" as right-wing Prime Minister under a Socialist President, writes George Graham.

A highly-strung chain-smoker, he worked in the civil service and as an aide of President Georges Pompidou, before becoming Employment Minister in 1967. After a string of ministerial posts, from Budget to Interior, he was picked by incoming President Valery Giscard d'Estaing as Prime Minister in 1974.

Resigning suddenly in 1976, he set out to create his own power base, building the Rassemblement Pour la Republique (RPR) party out of the old Gaullist movements, and a regional base first in his native Correze, a mountainous area in central France, and then in Paris, where he was elected mayor in 1977.

He failed in his bid for the presidency in 1981, but in the process damaged the main right-wing candidate, the incumbent President Giscard d'Estaing, and is viewed as responsible for his defeat by Mr Mitterrand.

His comeback came in March 1986, when he led a right-wing coalition of his own RPR and the more centrist UDF back into power in the legislative elections. He marked up a record of economic liberalisation, but the violent student unrest in the winter of 1986 left a question-mark on his ability to unite French voters.

He now faces the difficult task of winning support from both the Barrists of the centre and the Le Pen supporters on the far right.

Le Pen: new look, old themes

THE OUTSIDER. The 60-year-old leader of the extreme right National Front has plastered posters of his bronzed, grinning face throughout France proclaiming him "L'Outsider" in the presidential race, writes Paul Betts.

Jean-Marie Le Pen, who has emerged during the past five years as a destabilising new factor on the French political chessboard, has dropped his black eye-patch, adopted a new respectable "look", brushed back his blond hair, and appears set to win many more votes than the official Communist candidate.

He has called himself the grand perturbateur. His high sense of political theatre and his exploitation of xenophobic and reactionary themes have placed him on centre stage in this election.

Mr Le Pen is an old political hand but it was only in the 1984 European elections that his National Front exploded on the French political scene, winning 10.9 per cent of the national vote.

Two years later, Mr Le Pen and 34 other National Front members made their triumphant entry into the National Assembly after polling 9.6 per cent in the 1986 legislative elections.

Even after his famous blunder last autumn when he dismissed Hitler's gas chambers as a detail of history, Mr Le Pen is still predicted by the latest polls to take 10-12 per cent on Sunday.

The son of a deep sea fisherman, Mr Le Pen was born at La Trinité-sur-Mer in Brittany and was educated by the Jesuits. A lieutenant in Indochina, he joined the Poujadist populist movement in 1955 and was elected a deputy in 1956.

A few months later he volunteered for service in Algeria and subsequently took part in the Anglo-French Suez operation. A year later he left the Poujadists and in an electoral scuffle lost an eye in 1958.

A defender of French Algeria, he founded the Front National pour l'Algérie Française in 1960. In 1972 he founded the National Front, of which he became president. But he won only 0.75 per cent of votes in the first round of the 1974 presidential election.

Barre: truth-telling has not inspired popularity

TORTOISE *or teddy bear, the* portly and egg-headed Mr Raymond Barre has in the last days before the election stepped up the pace of his plodding campaign, writes George Graham.

Perhaps the most decent and least cynical of the main candidates, Mr Barre has built the image of a man who tells the uncomfortable truths, and who stands outside the cogs of party politics. But his well-rounded figure and lecturing tone have not always inspired popularity.

Born on the Indian Ocean island of Reunion, Mr Barre still sounds like the economics professor he was. He entered government 30 years ago, at the Industry Ministry, and became vice-president of the European Commission in 1967.

Named Prime Minister by President Valery Giscard d'Estaing in 1976, in place of Mr Jacques Chirac, he plumbed unprecedented depths of unpopularity with his economic austerity policies – although the label of "the best economist in France" has stuck.

But his first election, as deputy for his home town of Lyons, did not come until 1978, and he has never built the same sort of political power base as his main rivals. Even though formally backed by the Union pour la Democratie Française, he has received only lukewarm support from many of the party's bosses.

Now 64, Mr Barre has spent the past two years as the Cassandra of the right, preaching against the experiment of "cohabitation" with a Socialist President.

Lajoinie and Juquin: two voices of Communism

DOUBLE ACT. Andre Lajoinie, the official candidate of the French Communist Party, has been closely flanked throughout the campaign by Mr Georges Marchais, the party secretary general, who preferred not to run this time. And small wonder. Under Mr Marchais, the Communists have declined from the biggest party on the French left to less than 10 per cent of the national vote, writes Paul Betts.

Mr Lajoinie has also had to contend with Mr Pierre Juquin, the presidential candidate of the dissident Communist *reformist* faction. Mr Juquin, the party's official spokesman a few years ago, has led the campaign against the hardline old guard and is expected to win 2-2.5 per cent on Sunday. Mr Lajoinie, long a leading member of the party's traditionalist camp, is expected to poll 5-7 per cent.

Aged 58, of farming stock (he comes from the same region of Correze as Mr Chirac), he is an apparatchik whose steady rise in the party has followed closely that of Mr Marchais. He became a full-time member when he was 28. In 1967, he was one of the last French Communists to attend the educational institute for Communist cadres in Moscow.

President of the French Communist parliamentary group in the National Assembly, Mr Lajoinie has a good chance of succeeding *Mr Marchais* at the top of the party. However, much will depend on his electoral performance and some cynics suggest that Mr Marchais saw his *candidacy as a* poison pill for his possible successor.

If both men are committed to fighting reformist tendencies inside the party, they differ greatly in style. Mr Lajoinie does not have the same taste for clowning and colourful rhetoric as Mr Marchais, although at rallies he speaks *passionately* but with an increasingly hoarse voice about his political convictions and the role he believes the Communists can still play in France.

Long-shot runners aim low

THE LONG shots of the field cover a wide spectrum from Trotskyism to ecology, writes George Graham.

Ms Arlette Laguiller, candidate of the Workers' Struggle party, is the most experienced presidential campaigner after Mr Mitterrand, although in her two previous forays, in 1974 and 1981, she won only 2.3 per cent of the votes. Now 48, she was the first woman to stand for the presidency, and has time to clock up several more candidatures.

Her minimalist campaign this time aims at 5 per cent of the vote – highly optimistic according to the polls – but her *television* harangues, in a passionate monotone, continue to arouse interest in her as the most fervent of the nine candidates.

The other far-left candidate, Mr Pierre Boussel-Lambert, 67, has been a militant Trotskyist since 1935, and was one of the leaders of the clandestine trade union movement in occupied France during the war. His anti-Stalinist line has created a "lambertist" sect with offshoots in Latin America.

Mr Antoine Waechter (39) represents a milder current, the Green party. A militant ecologist since the age of 17, when he led a *campaign* in his native Alsace against a motorway extension, he represents the purist wing of the party, which took control in 1986, ousting those who wanted to move into the orbit of the mainstream left-wing parties.

His meetings have boasted some of the best music of the campaign, with the Caribbean singer Dede St Prix, as well as Cheb Kader, star of "rai" – a kind of electrified Berber folk music.

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Greece and Turkey set for clash at EC talks

By Jim Bodgener and Andriana Ierodiaconou

GREECE on one hand, and Turkey along with the European Community's West German presidency on the other, appeared yesterday to be heading for a confrontation at a forthcoming meeting between officials from Ankara and the 12 EC states.

Both Greek and Turkish diplomats believe that objections from Athens may block any substantial progress at the meeting in Brussels on Tuesday of the EC-Turkey Association Council.

At talks in Brussels this week between the permanent representatives of the 12, Greece called unsuccessfully for the inclusion of a reference to the Turkish occupation of Cyprus in the joint EC statement that West Germany wants to present to the Turkish side.

Despite the improvement in the Greek-Turkish atmosphere following the summit in Switzerland in January, Greece is also sticking to old conditions for agreeing to the release to Ankara of a long-frozen EC credit of Ecu600m ($736m).

Athens says it will block the funding until Turkish troops leave Cyprus and there is an improvement in Turkey's human rights performance. Given the scant chance of an early pullout from Cyprus, this amounts to a veto.

West Germany, which favours an improvement in EC-Turkish relations, is expected to seek a last-minute compromise when Community foreign ministers meet in Brussels on Monday.

Greece has, however, taken one step backwards from its previously total opposition to the warming of relations between the Community and Ankara.

It has signed a protocol under which it becomes party to the 25-year-old EC-Turkey Association Agreement. This gesture was made after Ankara rescinded a decree freezing Greek-owned assets in Turkey.

Ankara wants next week's talks to cover the issue of free circulation of Turkish workers within the EC. Bonn in particular is likely to have reservations about this.

Other subjects Turkey wants to see covered are the creation of a joint EC-Turkey parliamentary group, and closer political consultation.

PARIS LAUNCHES CONTROVERSIAL PROGRAMME WITH FFR14BN CONTRACT

France orders fighter prototype

BY PAUL BETTS IN PARIS

THE FRENCH Government has officially launched the controversial programme to build France's new generation fighter aircraft, Rafale.

It has placed a firm order with the Dassault-Breguet aerospace group to build the first prototype and an option for a second.

Barely three days before the first round of the French presidential election, the Government also placed an order for 10 prototype M-88 engines to equip the new fighter with the French state aero-engine manufacturer Snecma.

The two orders are worth a total of about FFr14bn ($2.5bn) and confirm the commitment to the new fighter aircraft programme of both Mr Jacques Chirac, the Neo-Gaullist prime minister, and President Francois Mitterrand.

The French defence ministry underlined yesterday that the two orders were the "first irreversible commitment" by the Government on the new aircraft programme and added that France continued to welcome cooperation with other countries on the Rafale.

Vocal advocate

Mr Andre Giraud, the French defence minister, has been a particularly vocal advocate of international cooperation on the Rafale not only with other European partners but also with eventual partners in the US.

The French Government had indicated at the beginning of this year that it would place the first orders for the Rafale prototypes before the end of April.

At the French air show of Le Bourget last year, both President Mitterrand and Mr Chirac expressed their support for the costly Rafale programme which competes with the four nation European Fighter Aircraft (EFA) programme.

Short of new military orders, the Dassault group had also put increasing pressure on the Government officially to launch the new fighter programme.

The latest decision involves a firm order for the first of five Rafale prototypes to equip the French airforce in 1996.

Naval version

The option for the second prototype, which is expected to be confirmed next September, involves the naval version of the Rafale to equip the French navy.

This initial contract involves a financial commitment of FFr7bn, three quarters of which will be supplied by the Government and the remaining quarter funded by Dassault. The Snecma engine contract involves a similar amount of about FFr7bn.

Soviet Premier says Comecon set its sights too high in past

BY LESLIE COLITT IN BERLIN

A SHARP attack has been made by Mr Nikolai Ryzhkov, the Soviet Prime Minister, on Comecon, the Soviet-led economic and trading block, which he said had become isolated in the past two decades.

His blunt criticism came at the close of a three-day visit to Hungary. The Hungarian news agency MTI said Mr Ryzhkov told the Hungarian Chamber of Commerce that Comecon had over-estimated its own possibilities in the 1960s and 1970s.

He complained that Comecon was unable to realise its scientific potential which had held back scientific and technological progress. Comecon members had scattered their forces and thus were unable to act as equal partners of Western countries.

Mr Ryzhkov discussed reform of Comecon in his talks with Mr Karoly Grosz, Hungary's Prime Minister. Both sides agreed that until Comecon could reform its pricing and financial systems and create a "socialist market", progress would have to be attempted at the bilateral level.

His outspoken criticism echoed a recent evaluation by Mr Oleg Bogomolov, a Soviet authority on Comecon, who said in an interview that reform would be slow. Comecon would have to make do with its cumbersome barter-like exchange of goods until price reforms and some type of convertible currency were introduced.

Mr Ryzhkov endorsed Hungary's wide-ranging economic and political reforms in a communique issued after his talks in Budapest which included a meeting with Mr Janos Kadar, Hungary's party leader. He said the Hungarian reforms were in harmony with the Soviet Union's own.

At a news conference Mr Ryzhkov indicated that he had also discussed the important forthcoming Hungarian and Soviet party conferences. A number of prominent Hungarian Communists and non-Communists have called on the Hungarian party to approve greater parliamentary control of the government and to reduce the party's influence over the appointment of officials and managers.

Madrid likely to cut petroleum products prices

By Peter Bruce in Madrid

THE SPANISH Government is likely to cut petroleum product prices by up to 7 per cent soon in an effort to rein in retail price rises that are seriously threatening its 3 per cent inflation target for this year.

Mr Carlos Solchaga, the Finance Minister, has confessed to being concerned by the March inflation figure of 0.7 per cent which, added to higher-than-expected price increases in January and February, would mean an annual increase of nearly 4.5 per cent.

Critics of the Socialist Government have been scornful of the 3 per cent target, claiming it is hopelessly optimistic, and the March figures are likely to spur further trade union demands for higher wage settlement targets.

Martens leaps back into Belgium's political centre-stage

BY TIM DICKSON IN BRUSSELS

THE SUDDEN re-emergence this week of caretaker Prime Minister, Mr Wilfried Martens, as a serious candidate to lead the next Belgian coalition has injected fresh excitement into negotiations which have dragged on between the main parties for more than four months.

However, the development will not necessarily be decisive in breaking the deadlock which set in almost immediately after December's inconclusive general election result.

Local opinion polls show that Mr Martens, who has been the dominant figure in Belgian politics since 1979, would still be the most popular leader of a new Government, while his achievements in pursuing a programme of economic austerity over the past six years mean his return would also be welcomed abroad, notably in financial circles.

The trouble for his supporters is that he has consistently voiced his dislike for the policies of the Socialist parties, big winners in last year's elections. Since the end of last month they have been in almost constant talks with Mr Jean-Luc Dehaene, a close colleague of Mr Martens in the Flemish-speaking Christian Democrat party (CVP) and the man currently charged with forming a new administration.

As one commentator pointed out yesterday: "Mr Martens has a reputation as a great survivor. If he came back at the head of a centre-left coalition he would earn a reputation as the local vicar of Bray."

Because of Belgium's fragmented political parties – the major ones are split along linguistic lines – no Government is in practice possible without the consent of at least four partners.

Attempts earlier this year by Mr Guy Spittaels and Mr Willy Claes, the leaders of the two Socialist parties, to move the negotiations forward came to nothing but over the last three-and-a-half weeks speculation has been mounting that Mr Dehaene was getting close to a compromise with the Socialists, the two centre-of-the-road Christian Democrat parties (the CVP and the PSC), and the Volksunie, a Flemish nationalist party.

The main sticking point remains what to do about Les Fourons, the tiny commune best known for its militant mayor, Mr Jose Happart, whose antics were a major factor in the downfall of the last coalition between the Christian Democrats and the right-wing Liberals.

The revival of Mr Martens' chances this week appears to be mostly the work of party colleagues, who have inspired press stories (not denied) about his willingness to head a Government on three major conditions. These are a continuation of the tough economic and budgetary programme of the last few years, a clear commitment to "institutional reform" (essentially more devolution of economic power to the regions) and a solution to the "Fourons" problem which is satisfactory to him.

In many ways the CVP and the Socialists would prefer Mr Martens to Mr Dehaene, though for different reasons. Mr Dehaene is seen inside his own party as too closely identified with the Christian unions, while the Socialists see Mr Martens as the best guarantee of long term stability inside the Government, and a dangerous threat outside.

Nato venue changed over Danish N-ship row

By David White, Defence Correspondent

THE CRISIS over Denmark's policy towards allied warships has led Nato to postpone an official visit there next week by Lord Carrington, its secretary-general, and to change the venue for a ministerial Nuclear Planning Group meeting, which was due to take place in the Danish town of Kolding next Wednesday and Thursday.

Nato said the postponement and the last-minute switch in plans for the important defence ministers' meeting were agreed by both sides after consultations between Lord Carrington and Denmark's Nato ambassador.

The Nuclear Planning Group meeting is to be held in Brussels instead.

The talks would have come within a fortnight of the May 10 general election which Mr Poul Schlüter, the Danish Prime Minister, called on Tuesday after the controversial parliamentary vote tightening the country's stance towards nuclear weapons.

Lord Carrington has reiterated Nato's "grave concern" about the resolution, under which Denmark would remind every visiting Nato vessel that the country did not accept nuclear weapons on its territory in peacetime. This, Lord Carrington said, "would run counter to the basis of Nato strategy and the principles of shared burdens and benefits".

Both the US and the UK insist that they will stand by a policy of neither confirming nor denying whether their vessels are in fact carrying nuclear weapons.

Sir Geoffrey Howe, the British Foreign Secretary, warned earlier this week that the UK would be unable to fulfil its Nato obligation to reinforce Denmark's defences if the resolution remained in force.

Czech ranks thinned

A new Czechoslovak federal government with fewer ministries and government members and a reduced staff was appointed yesterday, one day after the old government formally resigned, AP reports from Prague.

Craxi claims single 'guiding mind' in Rome behind Red Brigades

BY JOHN WYLES IN ROME

THE SEARCH for the killers last Saturday of Senator Roberto Ruffilli has been cast in a bizarre light by a confident assertion from former Prime Minister Bettino Craxi that there is a single guiding "mind" behind the Red Brigades terrorists and that he lives in Rome.

Given the nation's addiction to conspiracy theories, the Socialist leader's observations, delivered in the coffee bar of the lower house of Parliament, have been amply broadcast by the Italian press. Some of his fellow politicians and many magistrates, however, are suggesting that he is being slightly barmy, but other experts are cautious about rejecting his theory.

For reasons best known to himself, Mr Craxi has exhumed a debate which began 10 years ago during the kidnapping and subsequent murder of the Christian democrat elder statesman, Aldo Moro. Mr Craxi then espoused the theory of a *Grande Vecchio* (Grand Master) based abroad who was the brains behind the terrorists

As many were pointing out yesterday, Mr Craxi has since been Prime Minister for four years with opportunities to bounce his speculation off the Italian secret service.

He denied yesterday that he was referring to the putative *Grande Vecchio* of 10 years ago, repeating a phrase he used in the coffee bar – "Call him what you will."

Those who tend to believe in the existence of a sinister manipulator of terrorism cite the various communiques which the Red Brigades groups have issued after their assassinations. These are thought to be too analytically sophisticated and politically informed to be produced by an ordinary terrorist.

As expected, a document turned up yesterday claiming responsibility for the Ruffilli murder and confirming the suspicions of most analysts that the aim was to attack and disrupt the new Government's plans for institutional reform. The "Fighting Communist Party" said Senator Ruffilli was the political brain behind Prime Minister Ciriaco de Mita's "plans to re-order the powers and functions of the state" and that his murder was part of the terrorist group's plan "to equip and to lead the proletarian way in the prolonged struggle against the state."

Opposition leader's trial sparks Dakar riot

By Simon Clarke in Dakar

RIOTERS BURNED cars and threw stones at police near the presidential palace in the centre of Dakar yesterday as Abdoulaye Wade, leader of the opposition Senegalese Democratic Party, was brought to trial at the Supreme Court charged with "attacks on the internal security of the state".

The charges arise from the rioting which began at his party's headquarters following national presidential elections in February. Mr Wade accused the Government of rigging the results, which returned President Abdou Diouf to power.

Police yesterday used armoured personnel carriers and tear gas to disperse crowds who had gathered to support Mr Wade at the court. Cars were burned in the streets and barricades erected as demonstrators retreated towards the central business district of the town. A state of emergency imposed after February's violence is still in force, although a midnight curfew was lifted last week.

Security forces appeared to have the situation under control by early afternoon, with traffic flowing normally throughout Dakar. Mr Wade's trial has been postponed until next Monday.

Celebrating Israelis mark 40th anniversary

BY ANDREW WHITLEY IN THE WADI ARA, NORTHERN ISRAEL

SEVERAL hundred Jewish settlers chose this densely Arab-populated district of Israel, where trouble has occasionally flared between the two races, to mark the country's 40th anniversary.

As other Israelis picnicked and attended military displays, the settlers listened to fiery political speeches defending their claim to be able to live anywhere in the Biblical Land of Israel – from the Mediterranean to the Jordan river.

The keynote speaker was Mr Uzi Landau, a prominent right-wing parliamentarian, who said that, 40 years on, Israel was still fighting for self-determination. The organisers of the rally, which drew a disappointing turnout, deliberately chose the location as a challenge to local Arabs.

Another band of about 200 settlers held a similar rally south of Bethlehem, in the occupied West Bank. But journalists were barred for the second day running from the West Bank or the Gaza Strip, and thus were prevented from attending the event.

At least half the 1.5m Palestinians of the occupied territories spent the day – for them the anniversary of the end of Palestine, as it was – confined to their homes, under curfew.

In Jerusalem, the highlight was the signing of a Memorandum of Agreement with the US codifying several earlier bilateral pacts in the economic, military and strategic fields. A long-sought goal of Prime Minister Yitzhak Shamir, the document was signed simultaneously in Washington by President Ronald Reagan. It is intended by Israel to commit future US Administrations to the same level of co-operation as the Jewish state has enjoyed for the past five years, but represents no significant increase in US assistance. The expanded agreement provides for enhanced political contacts, within "a comprehensive framework for continued consultation and co-operation".

Mr George Shultz, the US Secretary of State, is expected to return to the Middle East in the first week of May, for another round of his peace mission. His decision to go ahead with the new memorandum at this time is regarded here as another attempt to reassure Mr Shamir of unwavering US commitment to Israel's well being.

Syria declines opportunity to heal rift with Arafat

BY TONY WALKER IN DAMASCUS

THE FAILURE of Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, to appear in Damascus on Wednesday for the funeral of his slain deputy is being widely interpreted here as a sign that little progress has been made in the past year towards reconciling the PLO leader with President Hafez al-Assad of Syria.

The Syrians, in effect, discouraged Mr Arafat from coming to Damascus by offering no guarantees that he would meet Mr Assad. These conditions were reportedly unacceptable to the PLO leader, who could not afford to be thus humiliated.

The PLO has been disappointed in its hopes that its enhanced status in Arab forums – as a consequence of the uprising in the West Bank and Gaza Strip – along with the death of its military commander at the hands of the Israelis would encourage the reconciliation process with Syria.

A Western official in Damascus said that Syria had made it clear it would not provide Mr Arafat with a forum in which to demonstrate before thousands of cheering supporters that he had prevailed over Syrian attempts to eliminate him.

Since a reconciliation in Algiers last April of the biggest PLO factions, the guerrilla organisation has been seeking better relations with Syria.

US kidnap victim faces 'trial'

BY NORA BOUSTANY IN BEIRUT

THE kidnappers of Lt-Col William Higgins said in Beirut yesterday he would be put on trial for crimes involving spying for the US.

A statement by the "Organisation of the Oppressed on Earth" was the second by pro-Iranian captors since the 15-day drama of the Kuwaiti Airways Boeing 747 airliner hijacked on April 5 ended in Algiers on Wednesday.

The Arabic type-written communique was accompanied by a black-and-white photograph of Col Higgins, the chief of the Lebanon unit of the UN Truce Supervision Organisation. He looked downcast and drawn.

When flight KU 422 was in Larnaca, a statement in the name of his captors said that he would be executed if any attempt was made to storm and rescue the airliner.

"This criminal will now be referred to the 'court of the oppressed' to go on trial for the crimes he committed," the group said.

Col Higgins was abducted in south Lebanon on February 17 while driving back from a visit to an official of Amal, the mainstream Shia Moslem movement.

The photograph and press release issued yesterday were the first indication that the US military officer was still alive only four days after the Christian Voice of Lebanon reported that he had been killed in clashes between Shia factions.

Fierce fighting erupted between extremist followers of pro-Iran Hizbollah and the more moderate Amal militia earlier this month in the aftermath of growing tension over the disappearence of Co Higgins.

Yesterday's statement accused Col Higgins of supervising the activities of a Pentagon team specialising in combating Islamic, Lebanese and Palestinian organisations and of filing reports on military and political affairs in south Lebanon.

The decision to release the statement at the conclusion of the thwarted hijacking mission served to remind the world that Iran-linked fundamentalists holding foreign captives could still tamper with the lives of their hostages.

Delhi probe rules out bribery in submarine deal

BY JOHN ELLIOTT IN NEW DELHI

THE INDIAN Government yesterday said official investigations into a 1981 $400m (£212m) submarine contract with Howandtswerke-Deutsche-Werft of West Germany have produced no evidence to support allegations that 7 per cent bribes were paid.

A statement in Parliament by Mr K.C. Pant, the Defence Minister, said investigating agencies concluded that the Europe-based Indian trading family of Hindujas had had no link with the contract, and that that there was no evidence of an Indian agent being involved. There was also no evidence of breaches of India's foreign exchange and income tax laws.

The Government hopes that the statement will help to end one of two cases of alleged corruption which rocked the government of Mr Rajiv Gandhi last year. The other concerned a $1.4bn Swedish Bofors gun contract, which is still the subject of considerable controversy.

Opposition MPs yesterday criticised the Government for not producing the full reports of the investigating agencies. The first inquiry was ordered last April by Mr Vishwanath Pratap Singh, then Defence Minister, who later resigned and is now a leading opposition figure in the country.

In 1981 India ordered two ready-built submarines from HDW, and two in kit form for construction near Bombay. From the end of 1985 India was discussing buying two more. It received a report early last year from the West German Government that HDW might have problems cutting its tender prices because of 7 per cent commissions payable to its agents, who it was later suggested were the Hinduja family.

Employment of agents is banned in Indian defence contracts, so Mr Singh ordered the inquiry. HDW later said that negotiations had been held directly with the Indian Government and that no agents were involved apart from Globtech of New Delhi. The Indian Government had been notified in 1982 about Globtech and no commission was involved.

Separate reports have been prepared on the operation of Indian and foreign agents and the Defence Ministry is believed to be preparing codes of conduct to differentiate between full agents who have a sales role and are paid commissions, and others who handle routine business such as appointments, hotel bookings, and freight deliveries.

Australia bows to Tokyo on price of embassy land

BY IAN RODGER IN TOKYO

THE Australian Government has become a highly publicised victim of the Japanese Government's belated attempts to force down Tokyo's sky-high land prices.

Australia has been planning for months to take advantage of Tokyo's soaring land prices by selling part of its spacious embassy grounds in the city. Earlier this year, it concluded an agreement with a group of developers to sell 7,350 square metres of embassy land for a reported Y57.6bn (£246m, or about £33,600 a square metre).

Then, in accordance with Japanese law, it submitted the deal to the Tokyo Metropolitan Government for approval. Until recently, approval would have been virtually automatic. But in the past year, in response to a public outcry over soaring land prices, the Tokyo authorities have begun blocking deals that they think represent an increase over prevailing prices.

What happened after that is obscured by a lot of diplomatic language, but the upshot is that the Australians have agreed to reduce their selling price, apparently by 5 to 6 per cent.

"It is a lower price," Mr Howard Debenham, counsellor at the Australian Embassy in Tokyo, confirmed yesterday. However, neither he nor the Tokyo Metropolitan Government would confirm or deny any of the figures involved. "Negotiations have proceeded in a normal and reasonable fashion and an agreement has been reached," Mr Debenham said.

The story has been front-page news in Japanese newspapers this week. Reports have suggested that the Australian embassy was put under intense pressure by the Tokyo authorities. City officials have been quoted anonymously saying sternly that no exceptions to the guidelines will be made, even for embassies.

If the Australians are unhappy about being used as an example of the Government's new determination to combat high land prices, they are not saying so. "We do not really have any feelings about it," Mr Debenham said. "We knew it was a big, newsworthy item. It involves a large amount of money and the public is interested."

Also, there must be some consolation in the proceeds from the sale, which are hundreds of times bigger than what the Australian Government paid for its entire embassy property in 1951.

Talks start on coalition for Papua New Guinea

BY CHRIS SHERWELL IN SYDNEY

PAPUA NEW GUINEA, Australia's northern neighbour, entered a fresh phase of political uncertainty yesterday as government and opposition began efforts to form a coalition of national unity.

The moves came one day after Mr Paias Wingti, the Prime Minister, and Mr Michael Somare, leader of the opposition, unexpectedly agreed to bury their long-standing differences in the interests of stability.

Reports from the capital Port Moresby, however, suggested that both leaders were finding it difficult to persuade their followers to go along with the unusual plan.

The coalition plan followed a protracted period of political turmoil which led last week to the adjournment of Parliament as the opposition was about to move a no-confidence motion.

Mr Wingti quickly brought the former army commander, Mr Ted Diro, back into government, despite allegations of corruption hanging over him which must still be settled.

Last August it was Mr Diro's support which helped Mr Wingti to continue as Prime Minister after a closely-fought general election, the third since independence in 1975.

His rival, Mr Somare, the father of Papua New Guinean independence, first lost the Prime Ministership in 1985, and has since been leading an opposing coalition.

On Wednesday he surprised many by joining with Mr Wingti to announce a government of national unity. Yesterday the two began the difficult task of allocating a finite number of portfolios to their followers without causing too much antagonism.

Developments are being watched closely by Australia, a leading aid donor and ally, and by Indonesia, which shares a border.

Papua New Guinea is important both strategically and for its gold, copper and oil resources, which are being exploited with the help of multinational mining companies.

The country's general lack of political stability has long been attributed to shifting parliamentary allegiances and regular use of the no-confidence motion. Formation of a coalition of national unity, if it could be achieved, was yesterday expected to encourage constitutional changes which would help remedy the problem.

Urgent African aid sought

BY MICHAEL HOLMAN, AFRICA EDITOR

AFRICA needs urgent international assistance to cope with the challenges posed by the problems of mounting external debt, population increase and health needs, and the difficulties of countries in the drought-prone belt which stretches across the continent, says a book* published yesterday, written by Britain's Overseas Development Institute and commissioned by the Save the Children Fund.

The 94-page report, with a foreword by The Princess Royal, president of Save the Children, calls for a "major effort" to reverse. Africa's economic decline.

"Africa is seen by the public as the major current development challenge - for African governments and the international community in particular. . . . The problem is that the challenge is not being taken seriously enough by those governments which have the resources to respond effectively", says the report.

It analyses the causes of Africa's economic crisis, and considers the impact of measures to remedy it taken by African governments, western governments, and international institutions.

Prospects for Africa, published by Hodder and Stoughton, £5.95.

AMERICAN NEWS

Panama military sacks possible heir to Noriega

BY DAVID GARDNER IN PANAMA CITY

THE Panama Defence Forces have sacked a senior officer, widely regarded as a possible successor to General Manuel Antonio Noriega, who has resisted two months of financial and diplomatic siege aimed at ousting him as army chief and Panama's *de facto* ruler.

Colonel Eduardo Herrera Hassan, for the past three years Panama's ambassador to Israel, was forced into retirement by a military "honour tribunal" on Tuesday, for allegedly disobeying an order, PDF sources said. The Israeli appointment has been an important one, given Panama's close political and security ties with Tel Aviv.

From the outset of the crisis caused by US Administration and Panamanian opposition attempts to unseat Gen Noriega, Col Herrera has been mentioned as a viable new commander of the PDF, particularly by US military officials.

Col Herrera is a highly qualified officer who served as personal secretary to the late Gen Omar Torrijos, the populist and popular leader who ran Panama from a coup in 1968 to his death in an air crash in 1981.

When former intelligence chief Noriega won control of the army, Col Herrera was soon sent into diplomatic exile. The enthusiasm with which US officials have endorsed him in recent weeks - albeit in private - always seemed likely to prejudice rather than advance his prospects.

Despite his acceptability to Washington, a PDF officer and former associate of Torrijos described Col Herrera as "pragmatic, he believes in democracy, he comes from humble origins like most of us, and he is a progressive, a *Torrijista*."

Col Herrera is believed to be still in Israel and it is not clear whether his discharge from the PDF means that he will be withdrawn as ambassador there. His sacking has not yet been made public.

PDF sources and diplomats point out that in strict seniority terms, there are in any case five officers with prior claims to become army chief, assuming that some 10 officers closely associated with Gen Noriega accompany him into retirement.

Washington haunted by crime and violence

By Lionel Barber in Washington

WHEN Beverly Harris was stabbed to death in an apartment block in south-east Washington this week, she became the city's 165th murder victim this year.

That grim statistic adds up to one of the worst cycles of violence in the history of the nation's capital, and places the city alongside New York and Detroit as a flourishing centre of violent crime and drug-dealing.

The Washington record for homicides was in 1969 when there were 287 murders. At the present rate, the figure will be higher this year - though still far short of the 1,691 murders in the more populous New York City in 1987.

The popular image of Washington DC as the city of sweeping classical architecture and well-heeled power-brokers was never more than a postcard picture. Outside the white middle-class enclave in the north-west, Washington has always had its share of inner-city decay and crime - but rarely more so than in 1988.

Though Beverly Harris's slaying was apparently related to a domestic argument, about 60 per cent of the homicides this year are drug-related, according to the police. Detectives have identified more than 80 street-corners where drugs such as crack, the cheap cocaine-derivative, are openly sold by teenagers.

There are many theories as to why Washington has emerged as a drug mecca. Some believe that competition among well-established gangs in New York and Philadelphia has forced pushers to cultivate new markets further south; others view the killings as attributable to the ease with which hitmen hired by gangs can slip in and out of Washington, a major commuter crossroads. Still more reckon that Washington is just like most other US cities, a helpless victim of the drug menace.

Whatever the explanation, the over-stretched, under-manned DC police force has found it near impossible to contain the drug-peddling. This week saw the first instances of vigilantes attacking suspected drug pushers

US navy may extend Gulf shipping protection role

BY LIONEL BARBER

THE REAGAN Administration is considering extending the US Navy's protection of ships in the Gulf beyond those flying the American flag.

The Pentagon, backed by influential members of the US Congress, wants to broaden the US Navy's role following Monday's air and sea battles in which American forces sank or damaged six Iranian vessels.

The move would make the rules of engagement for US forces more flexible, while leaving intact the basic policy of escorting Kuwaiti oil tankers flying the American flag.

The White House has confirmed that a review of the rules of engagement - circumstances under which US forces are authorised to open fire - is under way, but played down suggestions of an imminent shift in policy.

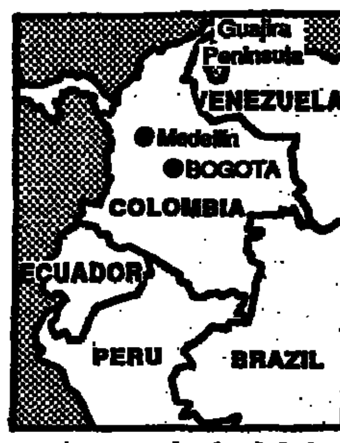
The initial euphoria in Congress and the Administration over Monday's successful retaliatory assaults on Iranian forces has given way to a more sober assessment of policy in the Gulf.

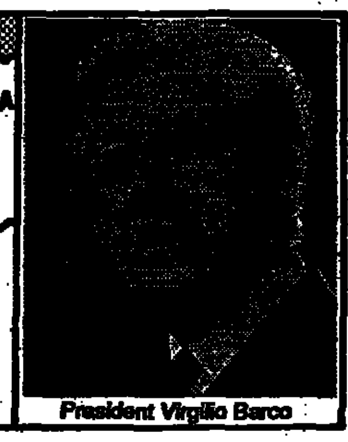
Senator Sam Nunn of Georgia, the chairman of the Senate armed services committee, has put forward the idea of dividing the gulf into zones, each with a different ally's navy extending protection to all innocent ships passing through the waterway.

His Republican colleague, Senator John Warner of Virginia, would like the US Navy to provide cover to shipping on a random basis with no advance notice. He believes that this would leave Iran - or its co-belligerent Iraq - guessing whether attacks on shipping would draw a hostile American response.

Sarita Kendall reports on the problems of enforcing reforms while civil war threatens

Colombia learns to accept violence too easily




President Virgilio Barco

AMNESTY INTERNATIONAL'S strong report blaming the Colombian Government and the military for human rights abuses raised angry protests in the country. In particular, the report has been criticised for not analysing kidnappings and assassinations attributed to guerrilla organisations, drug traffickers and other non-military groups.

The Minister of Defence said this week: "If we have progressed favourably with government policy, it is in respect of human rights," adding that any occasional excesses had not been sanctioned by the Government. Others called the report one-sided and accused Amnesty of contributing to the polarisation of conflicts. But a spokesman for the left wing Patriotic Union, which has had many members murdered, said it reflected the situation in Colombia.

One of many recent editorials in the leading Colombian dailies criticised President Virgilio Barco for being so deeply enmeshed in an "absurdly Byzantine discussion" that he seemed blind to the dirty war going on around him. The President, it is true, has spent more television time detailing the niceties of plebiscites, political party agreements and constitutional reforms than explaining how his government plans to tackle the ever-growing daily death toll. All along, Mr Barco has argued that only fundamental reforms can combat violence in Colombia.

Political leaders agree with this long-term view, but some have already warned that the country may be headed for full-scale civil war unless the Government reacts immediately.

The violence is as varied in origin as it is geographically: last week began with the shooting of a university dentistry professor in Medellin; four died in a guerrilla attack on a police patrol in the Guajira Peninsula; five peasants were murdered in the Eastern Llanos; and nine banana workers were massacred in Uraba, with 16 more missing. All this on the Monday - by the end of the week there had been several bombings, further assassinations and at least three kidnaps. Different incidents were loosely attributed to the far left, the far right, the drugs Mafia, death squads and ordinary criminals.

After anguished calls from both the agricultural unions and the banana companies operating in the Uraba region to the south, the Government named a high-level military commander and announced emergency plans for the area. Left-wing groups rejected the military solution, on the grounds that the massacres had been carried out by paramilitary gunmen and a general could not be expected to dismantle them. The Minister of Justice agreed that the extreme right is probably responsible for recent killings in Uraba, but issues such as land disputes, labour relations and drug trafficking underlie the violence.

The Government's decision to militarise Uraba has also been attacked as a dangerous precedent: if the military, rather than civilian politicians, are given control of problem regions, this could permit a creeping militarisation. This reasoning supports the view that constitutional reform - especially to the state of siege clause - is needed to give the executive greater strength for dealing with such situations.

President Barco's January proposal to speed constitutional change by holding a plebiscite was unexpectedly well received and helped restore a sense of leadership. That his initiative should have dissolved so quickly was due to political bickering and the legalistic swamp which has already absorbed many of the administration's decrees. Now the President will have to raise broad-based political backing strong enough to carry the plebiscites through, or let plodding congressional procedure take its course.

In 20 months of Liberal government, eschewing the traditional consensus with the Conservative Party, the most important political achievement has been to establish the direct election of mayors - a process which was begun by President Barco's predecessor. The mayors, who will take over on June 1, represent a real change in the local balance of power in many areas and those elected in the most violently battered towns are now attending courses on the workings of the national rehabilitation plan. Although the plan has little to show so far, funding has been increased and a new land reform bill should, in theory, help boost agricultural programmes in areas of conflict.

Other projects - including judicial reforms, the extradition of drug traffickers and broader powers to fight terrorism and trafficking - have foundered so regularly that the competence of Mr Barco's advisers is openly questioned. Nor is there any sign of official commitment to breaking up and disarming the 140 or more death squads and self-defence groups acknowledged by the Government.

The economy, which grew by 5.6 per cent last year and was, until recently, seen as the administration's major success, now looks less healthy; a poorly formulated tax reform created such panic that taxpayers withdrew massive amounts of cash from their bank accounts, for fear of being assessed on deposits. The regulations were changed, but not before the financial system and the construction industry had been severely affected. Although even the most vulnerable sectors have managed to weather violence and guerrilla sabotage up to now, gold and oil operations, banana exports and farm production are suffering.

Colombia's ability to ride through appallingly brutal civil wars has often been tested in the past. For many, the tolerance of such high levels of violence is almost as dangerous as the killing itself.

"The right to live" has become a slogan for marches and political gatherings around the country. It was a ghastly irony that, after a meeting on "the right to live," an Indian delegate returning home was taken off the bus by gunmen and executed. At the same time, a Liberal party conference concluded that Colombia has become a country where "the state is incapable of guaranteeing the right to life."

Brazil corruption inquiry fails to unearth hard facts

BY IVO DAWNAY IN RIO DE JANEIRO

TWICE this month the top-selling newsmagazine Veja has featured the topic as its cover story. Every day, Brazil's most influential newspapers devote pages to the subject.

Yet after nearly two months, a senate inquiry into corruption has come up with only hearsay - the so-called sea of mud that has further demoralised the already debilitated government of President José Sarney.

That there is something worth investigating is beyond doubt. So far in testimony to the senate committee ex-finance ministers Mr Dilson Funaro and Mr Luiz Carlos Bresser Pereira, and ex-planning ministers Mr Joao Sayad and Mr Aníbal Teixeira, have all affirmed their conviction that malpractice has been commonplace.

None, however, claims to be able to name with conviction who is guilty or of exactly what.

The inquiry began with an examination of the distribution of government funds by the planning secretariat, then under Minister Teixeira. It found that unusually large sums had been allocated to the minister's home state of Minas Gerais, and that two of his relatives had allegedly benefited from allocations.

Mr Teixeira has since been indicted on charges that carry sentences of up to eight years. But he has denied the charges and, in turn, alleged that others in the Sarney administration have skeletons in the cupboard.

Since then, further inquiries by the senate committee have uncovered more mud but little genuine evidence. Mr Funaro and Mr Sayad have testified that they were asked to authorise a decree after it had already been published in the official journal and was therefore in force.

This allowed the retroactive payment of inflation costs to government suppliers of goods and services.

Mr Funaro told the committee that he was promised by officials in the Planalto Palace, Mr Sarney's executive offices, that the decree would be altered subsequently, but it was not.

His successor, Mr Bresser Pereira, revealed another unusual occurrence. He claimed that he had long been urging the elimination of a freight duty charged on imported goods, a proportion of which is passed on to shipping companies. Soon after his resignation, however, the duty was not only maintained but the shipping companies' subsidy was raised.

Neither of these two cases has established corruption. But they have provoked widespread suspicion across the country and Mr Sarney has accused the committee of waging "moral terrorism" against his administration. Mr Antonio Carlos Magalhaes, the Communications Minister, is now calling for the prosecution of Mr Bresser Pereira.

"It is not possible for an ex-minister like Bresser to say he knows that there is corruption and not to present a single fact," he said.

Members of the committees are now calling for Mr Saulo Ramos and Mr Jorge Murad, two key advisers to (and the latter a son-in-law of) the president, to be called to testify. Mr Ramos has replied that he would be happy to do so.

Media commentators are suggesting that there is no smoke without fire. But increasingly few believe that any fire will be found.

WORLD TRADE NEWS

House in bid to save trade bill from veto

BY NANCY DUNNE IN WASHINGTON

THE House of Representatives was last night considering a last-minute motion to save the 1988 Trade Bill from presidential veto by sending it back to a House-Senate Conference for re-consideration of a controversial provision on plant lay-offs.

President Reagan has said he will veto the entire bill if it comes to him with the provision requiring employers to give at least 60 days' notice before large plant closures or lay-offs. Congressional experts believe the clause is the one item left in the bill over which a presidential veto might be sustained.

The motion to recommit the bill to conference was offered by Mr Robert Michel, the House Republican minority leader, who wrung permission to offer it from a Democrat-dominated House Rules Committee.

Its chances of passage were regarded as slim as the debate began yesterday. The vote on the motion should, however, give a clear indication about the Democrats' willingness to compromise with the Administration on plant-closures as well as about the chances of a veto being sustained should the clause remain in the legislation.

Organised labour has lobbied hard for the plant-closure measure, but some Congressional Democrats have considered removing it from the trade bill and attaching it to another piece of legislation. They have sought absolute assurances from the White House that the bill will be signed once the plant-closing measure is removed.

Mr James Baker, Treasury Secretary, and Mr Clayton Yeutter, Trade Representative, have been meeting Republicans on Capitol Hill this week in an attempt to ensure that a presidential veto will be sustained.

Still, there is some fear among Republicans that total failure of the trade bill would hand the Democrats a popular issue in the November general election.

To Mr Rufus Yerxa, staff director of the House trade subcommittee, the bill has been shorn of its most damaging provisions while providing the cohesive trade policy the US has lacked.

The failure of the US Congress to pass a bill which President Reagan could sign would ultimately hurt the rest of the world as well as the US, he said.

"It would mean," he said, "that there's nothing but partisanship and rancour in the US about where we are going in the world economy."

Bruce Clark, recently in Genoa, reports on an ambitious plan to expand port capacity more than threefold

Genoa seeks to recapture medieval prosperity

"GENOA LA SUPERBA", the port city was called at the height of its medieval power as a city-state of colonisers, seamen and merchants. The 13th century palace that houses the port authority is redolent of a glorious past, but these days, the talk is more of telematics than of history.

And Mr Roberto d'Alessandro, the model of modern Italian *managerialità* who has been running the port since 1984, prefers another image of his native city: the *Città Laboratorio*, a place where social developments in the rest of the country are reproduced or foreshadowed.

There is a palpable sense in Genoa's port and shipping community that they are acting out a much wider Italian struggle between inefficient, traditional working methods and the hard logic of the international market.

Mr d'Alessandro is implementing a L1,000bn ($800m) plan to streamline the port administration, increase container capacity from 300,000 teus (20-foot equivalent units) to 1m and market aggressively to the shipping lines of the Far East and North America.

The initial aim is to recover the port's natural business, that of overseas exports from Milan. In recent years, Milan industrialists have preferred to despatch their goods from Rotterdam or Hamburg, rather than cope with the perceived inefficiency of Genoa, 100 miles away.

Then the aim is to win back business from Switzerland, pushing northwards the East-West line dividing users of Mediterranean ports from users of northern ones. Part of the thinking is that the European East line is one of the few world shipping routes whose importance is growing, and that Genoa is well placed to benefit.

In the best traditions of Harvard Business School, Mr d'Alessandro has broken up the port's Byzantine bureaucracy into 11 separately accountable companies: the main ones deal respectively with container traffic, passengers, the oil terminal, general cargo and the airport.

Perhaps inevitably, the efficiency drive led to conflict with the 800-year-old guild of Genoa dockers. For nine months last year, the port was disrupted by persistent work stoppages, as management and workers arm-wrestled over emotional issues like demarcation and chains of command.

A compromise was reached in December, and both Mr d'Alessandro and the dockers' leader, Mr Paride Batini, are both at pains to stress their new-found harmony of purpose.

"We and Mr d'Alessandro were divorced for a while, but now we have remarried," beams Mr Batini. He defends his preferred working arrangements not on grounds that they protect workers' interests, but by saying they *are more efficient.*

According to port officials, hoary old issues like that of who should issue orders on the mole are being superseded by technology: these days it is a computer, rather than managers or foremen, that gives the instructions.

Mr d'Alessandro, a former Fiat executive, is visibly relieved to have the strike behind him. The settlement has made it easier to indulge his real passion, which is selling. In the last four months, he has promoted Genoa's services in Taiwan, New York, and London.

Latest results are encouraging. After a 14 per cent downturn in container business last year, attributed to the strikes, traffic in the first two months of 1988 is up by 45 per cent. This year will be a big test for the port: having just opened a 200,000 teus terminal, it will be under pressure to show that the investment was justified.

Some in the shipping community warn that rebuilding Genoa's reputation will be difficult, given its long-standing reputation for inefficiency. It was this perception that led a private shipping company, Tarros, to abandon Genoa in 1970s and set up a private container terminal at nearby La Spezia. That port, which in the recent past was thriving on Genoa's failings, now faces labour problems of its own.

Mr Enrico Scerni, the president of Genoa's shipping agents, thinks the management of his *home port need to work even* harder to stamp out inefficient labour practices; it is essential, he says, that unjustified union privileges are ended before the vast new Voltri terminal, with initial capacity of 400,000 teus, starts operating next year.

Port officials say the d'Alessandro regime is supported by the more "serious" members of Genoa's powerful lobby of freight forwarding agents, but there is a minority which is not so happy.

For example, a thrice-weekly container train service, with a simple, transparent pricing system, started calling at the port last year following an agreement between Mr d'Alessandro and the state railways. That should certainly make Genoa more attractive to shippers; but it also limits the opportunities for freight forwarders to pass imaginary "costs" on to their customers.

One place where the "d'Alessandro phenomenon", as admirers call it, enjoys enthusiastic backing is the headquarters of Finmare, the sprawling public *shipping company which easily* dwarfs Italy's private shipowners.

Finmare is making its own bid or solvency, as it struggles to balance public responsibilities, such as the provision of ferry services to the Italian islands, with financial health.

Armed with a 10-year public investment programme amounting to L1,100bn, it has ordered 15 *new container ships and is* steadily shedding personnel. Losses have gradually been trimmed, from L120bn in 1983 to L50bn last year; the company says it can break even by 1989, and would have done so last year, but for the dollar's weakness.

The losses are entirely attributable to liner services. At current rates in the charter market, the tramp shipping division is profitable, although not profitable enough, the company says, to set aside the necessary money for renewing the fleet.

All Genoa's shipowners, public and private, complain about the high labour costs incurred under the Italian flag. Annual costs for operating a ship with 22 seamen are L430m a year *for a Korean* crew, L570m a year for an Indian one, and L1.2 bn if the sailors are Italian, laments the private owner Mr Aldo Grimaldi.

That in turn raises the issue of whether Genoa's shipping community should be in the tramp business at all, given that labour *costs are a decisive factor in* competition.

Mr Nicky Costa, the young scion of an illustrious family of shipowners and industrialists has decided that the answer for him is no. His fleet consists entirely of luxury cruise liners; he uses Italian seamanship, service and *gourmet food as a selling* point and charges correspondingly high prices.

Israel, EC nearer to West Bank farm deal

By Andrew Whitley in Jerusalem

ISRAEL and the European Commission are edging towards a *compromise agreement on their* running dispute over the export of West Bank and Gazan agricultural produce to the Community.

In October 1986, *the European* Commission offered access to the Community market to farmers from the occupied territories, on the same terms as those enjoyed by Israel.

The Israeli Government has until now consistently refused to permit the Arab produce to go through its ports to Western markets.

Under pressure from its farmers' lobby, Israel has argued that all agricultural exports should go through one of two state organisations, the Citrus Marketing Board or Agrexco.

But question marks hang over the willingness today of Palestinian farmers to accept an arrangement they would have seized with *alacrity six months ago.*

Opinions have hardened since the unrest began in the occupied territories in December, and a climbdown from *the principle of* unimpeded exports through Israeli ports may be difficult to arrange.

In *addition, several EC governments*, notably those of Britain, France and Greece, are understood to be unhappy with some of the details of *the new arrangements* concluded last week.

Approval of the compromise by the Commission would enable *the European Parliament* to reconsider an agricultural trade protocol with Israel rejected last month.

Under new guidelines to Arab farmers in the occupied territories, issued by the Ministry of Agriculture in Tel Aviv, exports of Palestinian fruit and vegetables can either be handled by Agrexco, the Israeli state marketing organisation, or sold through *private channels.*

However, this important concession of principle is counterbalanced by a requirement to receive an Israeli government licence for every single shipment.

Such licences will be granted on a discretionary basis, depending *on whether or not Israeli* interests in the EC market would be affected.

Japan seeks end to beef row

BY CARLA RAPOPORT IN TOKYO

A SOLUTION to the problem of Japan's restricted imports of oranges and beef, the subject of heated debate between Tokyo and Washington, is being sought within the country's ruling Liberal Democratic Party, with an eye to finding a compromise with the US in the next two weeks, Mr Michio Watanabe, one of the most powerful LDP leaders, said.

Mr Watanabe, chairman of the LDP Policy Research Council, said the US is demanding a clear date for the full liberalisation of imports of beef and oranges, with a gradual lifting of import quotas between now and then. Although the LDP has resisted setting a date, Mr Watanabe admitted that the *two sides are now* "talking about [a] five-year [time limit] as more or less a target."

The US is asking that import quotas be increased by 50 per cent a year, while the Japanese side says the incremental increase in imports should be 10 per cent annually.

Despite the Administration's commitment to reform of agricultural imports, it is still resisting any pressure on the sensitive issue of rice. "The biggest problem in accommodating agricultural requests," according to Mr Watanabe, "is that it will lead to rice. Rice is the main bulk of our agriculture, not just as producers but as consumers."

The reform of Japan's protected rice sector was not yet on the agenda for reform. "But people are worried rice will be on the agenda, and we have to avoid that."

Mr Watanabe also said Japan must continue to stimulate its economy in order to maintain domestic growth. Reform of *Japan's tax system would provide* the fuel for continued economic expansion.

"This suit cost Y300,000," said Mr Watanabe, pointing to his jacket. "I have *some suits* which cost Y1m. But these are not taxed. It seems strange that cameras are taxed as luxury goods but this Y300,000 suit is not.

"It is very important for us to continue to stimulate domestic demand," he went on. But he cautioned against reckless issuing of government bonds to stimulate the economy.

On the issue of beef and oranges, Japan faces a Gatt panel on the matter if the two countries cannot reach agreement by May 4. Some Japanese have argued that the Gatt panel procedure could be more favourable for Japan than agreeing on a bilateral solution with the US. However, Mr Watanabe said that a majority feel a Gatt solution would be tougher on Japan.

Tokyo confirms Gatt typewriter challenge

BY IAN RODGER IN TOKYO

THE Japanese Government yesterday repeated its intention to challenge the European Community's decision to impose anti-dumping duties on Japanese typewriter *and weighing scale* parts in the forum of the General Agreement on Tariffs and Trade.

The Japanese believe the decision is in contravention of Gatt rules because, they say, it was taken without investigating whether or not the components concerned were dumped or whether their importation had really caused injury to European producers.

Japan's Foreign Minister, Mr Sousuke Uno, said Japan would "study appropriate actions to take, including possible resort to dispute settlement procedures of the Gatt."

Ministry of International Trade and Industry officials said they had already requested a special session of Gatt's anti-dumping practices committee next month to discuss the matter.

The duties were imposed on four Japanese producers of typewriters, and varied from from Ecu21.82 per unit to Ecu56.14 per unit.

The largest Japanese typewriter maker, Brother, escaped the duties, apparently because the local *content at its* UK factory is well over the 40 per cent level.

The EC has been campaigning against the establishment of so-called "screwdriver" plants in Europe, where companies attempt to avoid dumping duties on their finished products by importing components and assembling them there.

Pipelines 'could reduce demand for tankers'

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

DEMAND for crude oil tankers could be significantly reduced by pipelines under construction or discussion in the Middle East, according to a report from Intertanko, the international association of independent tanker owners.

Two pipelines are currently under construction - from the Iraqi oilfields to Yanbu, on Saudi Arabia's Red Sea coast, and an Iranian pipeline to Taheri/Jask in the Gulf of Oman.

The report says these pipelines represent a reduction in tanker demand of 136bn ton-miles per year, the equivalent of 46 very large crude carrier cargoes to Rotterdam from Ras Tanura, the main Saudi loading point in the Gulf.

The most significant project under discussion is a proposal for a $4bn pipeline from Iran to Turkey, which would carry 1m barrels of crude oil a day to Ceyhan, on the Mediterranean.

This proposal would have "a major impact" on demand for tanker shipping.

The report conflicts with some findings of other recent surveys. A report published by First International Capital earlier this week said the importance of oil pipelines was likely to recede when hostilities cease in the Gulf War.

The 300TE: 188 DIN/hp, 0-62 mph 8 8 seconds, top speed 130 mph.

Mercedes-Benz present an interesting innovation in estate cars. Sophistication.

Every estate car is designed to be practical. As a single design objective this is quite easily achieved: all you need is a van with an extra set of windows. However, the concept of marrying a practical load space with the quality of drive and comfort of a saloon car is a different matter altogether. After all, should luxury, comfort and style be the sole preserve of saloon cars? Mercedes-Benz don't think so and have more than proved their point with the T-series. Why shouldn't an estate car driver be in control of a high-powered engine with smooth, responsive performance? Why shouldn't an estate car driver be able to take a corner at speed with confidence or drive long distances without weariness or discomfort? The T-series was purpose designed to provide extra space but not at the expense of those qualities that make a car a Mercedes-Benz.

To be judged a luxury car an estate needs to have a refined engine of two litres or more, power-assisted steering, a quiet interior with low wind and road noise, a smooth, comfortable ride, a stable suspension system for good road-holding and a high cruising speed for effortless long distance travel.

With the 2 litre 200T that is exactly what you get. Not to mention the many other standard features like the separate passenger and driver heating controls, tinted safety glass all round, heated windscreen washer nozzles, and the reason most people decide on an estate in the first place: a large load space that has a multiplicity of space variations with a rear bench seat that divides (one third/two thirds) and a front passenger seat that folds right back.

There are, of course, optional extras you can add yourself. Such as a power-assisted tilt or slide sunroof, cruise-control and a third row of rear-facing seats which folds down flush with the floor. Should your motoring require an even higher degree of sophistication, the 2.3 litre 230TE and 3 litre 300TE will more than adequately provide it.

The top of the range 300TE has a powerful six cylinder, 188DIN/hp engine which outperforms most luxury cars in its class. On the test track it can easily achieve 130mph and its 0 to 60 time is less than 9 seconds (manufacturer's figures). It also has automatic four-speed transmission with sport and economy selection, ABS braking and electrically operated windows as standard.

Completing the range is the 2.5 litre 250TD which has a supremely refined five cylinder diesel engine. It also shares a whole range of unique Mercedes-Benz features standard on all T-series models. These include a self-activated electric motor which firmly shuts the tailgate once it is in the 'close' position, the multi-link rear suspension system which incorporates a self-levelling device for sure-footed roadholding irrespective of load, electronic seat-belt tensioners which take up the slack in the front seat-belts on impact and, as you'd expect, energy absorbing front and rear crumple zones, with the rigid passenger safety cell which Mercedes-Benz invented.

All in all, four superb estate cars with an intricate variety of options and every conceivable comfort you'd expect from a luxury car. Proving that with a Mercedes-Benz estate you don't go without sophistication, you get it all with room to spare.

ENGINEERED LIKE NO OTHER CAR
IN THE WORLD.

FT LAW REPORTS

ALI v FURNESS WITHY (SHIPPING) LTD
Queen's Bench Division:
Mr Justice Tudor Evans:
March 30 1988

Ship owes duty to insane seaman

A SHIP'S master who diagnoses insanity in a seaman and who is provided with a medical Guide instructing him on how to deal with mental illness, has a duty to act as a reasonable master, armed with the Guide, would act in the circumstances; and if, on recommendations in the Guide, the obvious course is to move the seaman ashore immediately after diagnosis, the shipowners will be liable for his death if it results from the master's unjustifiable decision to keep him on board.

Mr Justice Tudor Evans so held when giving judgment for the plaintiff, Mrs Dool Tarabi Ali, administratrix of the estate of her deceased husband, Mr Ahmed Yusef Ali, on a negligence claim against shipowner, Furness Withy (Shipping) Ltd, under the Fatal Accidents Act 1976 and the Law Reform (Miscellaneous) Provisions Act 1934.

HIS LORDSHIP said that Mr Ali was employed by Furness Withy on the MV Joule. He was an experienced and competent seaman, and was respected on board.

On March 27 1983 the Joule anchored about one and a half miles off Skikda, an Algerian port.

The log recorded that at 12.15am on March 29 Mr Ali alleged to the master that four persons were plotting to cause him serious injury, and that people had been banging on his door and drilling holes in the bulkhead to keep him awake.

At 9.10am he said people were *plotting to kill him*. The master went to Mr Ali's cabin to see if he could discover signs of drilling. There were none.

Mr Ali refused to return to the cabin. The master arranged for him to be lodged in the ship's hospital, but Mr Ali only stayed there for about five minutes. He complained that people were banging on the hospital door.

The master consulted the "Ship Captain's Medical Guide" which was provided on board and contained information about the diagnosis and nursing of mental disorder and insanity.

According to the master's evidence, when he looked at the Guide he began to think that Mr Ali was suffering from some sort of mental disorder, but he was not absolutely sure.

He persuaded Mr Ali to be accommodated in the Pilot's cabin. On the way there he saw Mr Ali was carrying a towel. When asked why he had the towel he produced a knife from under it.

During the morning the master carried out investigations. Those questioned were astonished at Mr Ali's allegations.

Between 11.30am and 12 noon the master concluded that Mr Ali was mentally disturbed. He decided in view of what he read in the Guide, that Mr Ali should be sedated. Mr Ali would not take the drink in which the tablets were dissolved.

At about 4.15pm, according to the log, the master contacted the agents requesting medical treatment ashore, but was told that was not possible as there was too much swell to run the pilot boat.

An obvious reading of that entry was that the master was in touch with the agents requesting a boat to be sent out to the ship to take off Mr Ali, but in evidence he denied making such a request. He said he had no intention of sending Mr Ali ashore because of the swell and the hazards of transferring him from the Joule to another vessel.

At 6.15pm the master visited Mr Ali in the pilot's cabin. He asked to be transferred to the master's bathroom as the safest place for him to be. That was obviously unsuitable and was rightly refused by the master.

Mr Ali then asked if he could go back to his own cabin. The master took him there and left a watch outside. At 9.30pm the watch heard banging noises inside the cabin. The master arrived at 9.33pm. Mr Ali opened the door and said he trusted no one on the ship.

The master then decided that the time had come to physically restrain Mr Ali. He used a Neil Robertson stretcher. There was a strap to secure the head. Canvas was wrapped around the chest and secured by straps. A further part folded over the hips and legs and was also secured by straps.

By 10.10pm, according to the log, Mr Ali was calmer. The watch remained.

At 10.20pm the master was called back to the cabin. Noises had been heard inside. The door was locked on the inside. The master key would not turn the lock. The Chief Petty Officer tried unsuccessfully to kick the door in.

The master suddenly thought that Mr Ali might be trying to get out of the port. He ran to the poop deck and ordered the crew to lower the accommodation ladder. He went down it as it was lowered. The forward port was open. The master saw the cabin was empty.

The lifeboat was launched and flares were used. A message was radioed to Skikda and two tugs arrived. Mr Ali was not found. There was no doubt he was drowned, fleeing from his delusions.

The court was satisfied that the log was substantially and chronologically correct.

The medical evidence was that Mr Ali wa *suffering from a severe* episode of paranoid psychosis.

It was alleged *inter alia* that the master should have diagnosed mental derangement earlier than he did, and that he should then have taken steps to land Mr Ali for hospital treatment.

Furness Withy, as Mr Ali's employers, owed him a duty to take such reasonable care for his safety as the circumstances required.

There was no "practice" as to how to deal with a member of a ship's company who became insane, except for what was contained in the Guide.

The correct test when judging what should have been done in the circumstances, was to ask the usual question: what would the hypothetical reasonably prudent master, *armed with the information in the Guide*, have done in the like circumstances?

The greater the risks, the greater were the steps necessary to obviate them.

The question whether the master discharged Furness Withy's duty of care had to judged in the light of his knowledge from between 11.30am and 12 noon on March 29, that Mr Ali was suffering from serious mental illness.

He was suddenly confronted with a man, hitherto normal, making complaints which, though extraordinary, clearly required investigation. It was his judgment to wait to see how matters turned out in the morning. He acted properly, and was not negligent in failing to reach an earlier diagnosis.

When he did decide that Mr Ali was mentally ill he had sufficiently clear comprehensive and *explicit* information in the Guide about the symptoms and what should be done.

He was told that delusions might be the first sign of mental illness, and that a mentally ill patient urgently needed correct and adequate treatment.

There were two guiding principles: "every case should be considered to be actually or potentially suicidal or homicidal"; and "mental cases rarely improve on board ship and the earliest opportunity should be taken to obtain skilled advice."

The master accepted that he was aware of those passages. At 11.30am to 12.00 noon he knew or should have known that he had on his ship a deluded, insane and potentially dangerous man who could not be expected to improve and who urgently needed treatment ashore.

The obvious course was to take immediate steps to get Mr Ali ashore both for his own safety and that of the crew. The recommendations in the Guide should have been paramount in directing the master's actions.

As indicated in the log the master requested the agent to send a boat at 4.15 pm. That showed he had in mind the risks involved. When he made the diagnosis he knew or ought to have known that it was necessary to take urgent steps to put Mr Ali ashore.

He should have obtained the assistance of a pilot launch or tug. When Mr Ali threw himself in the sea the port authority sent out two tugs very quickly. On the evidence it would not have been too hazardous to transfer Mr Ali to a launch or tug. Had that been done the death would have been avoided.

The master was not justified in believing that Mr Ali could, with reasonably safety, have been kept on board. He was negligent in failing to get Mr Ali ashore when he reached his diagnosis.

After 9.28pm when Mr Ali was transferred to his own cabin the ports were not checked and Mr Ali was left alone, inadequately restrained in the stretcher.

The master could have foreseen and did foresee how dangerous was Mr Ali's mental state. He was negligent with respect to the steps taken after Mr Ali was put in to his own cabin.

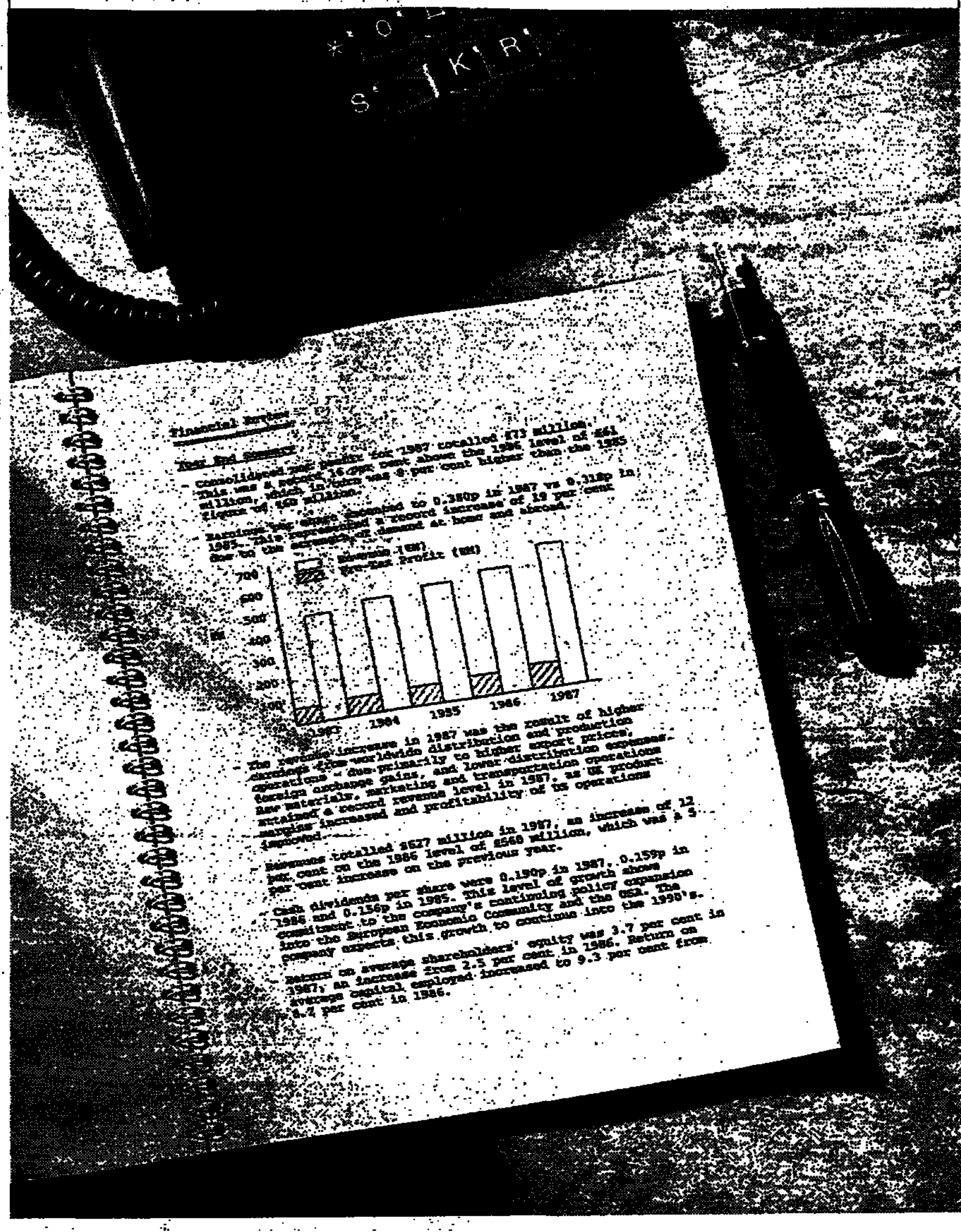
Also it was readily foreseeable that a master key might have to be used in an emergency. The key did not fit when required in an emergency. Furness Withy had failed to carry out a proper inspection of the locks on board the Joule. It accepted that had the key worked it would probably have saved Mr Ali's life.

For all those reasons, Furness Withy was negligent. Mrs Ali was entitled to damages.

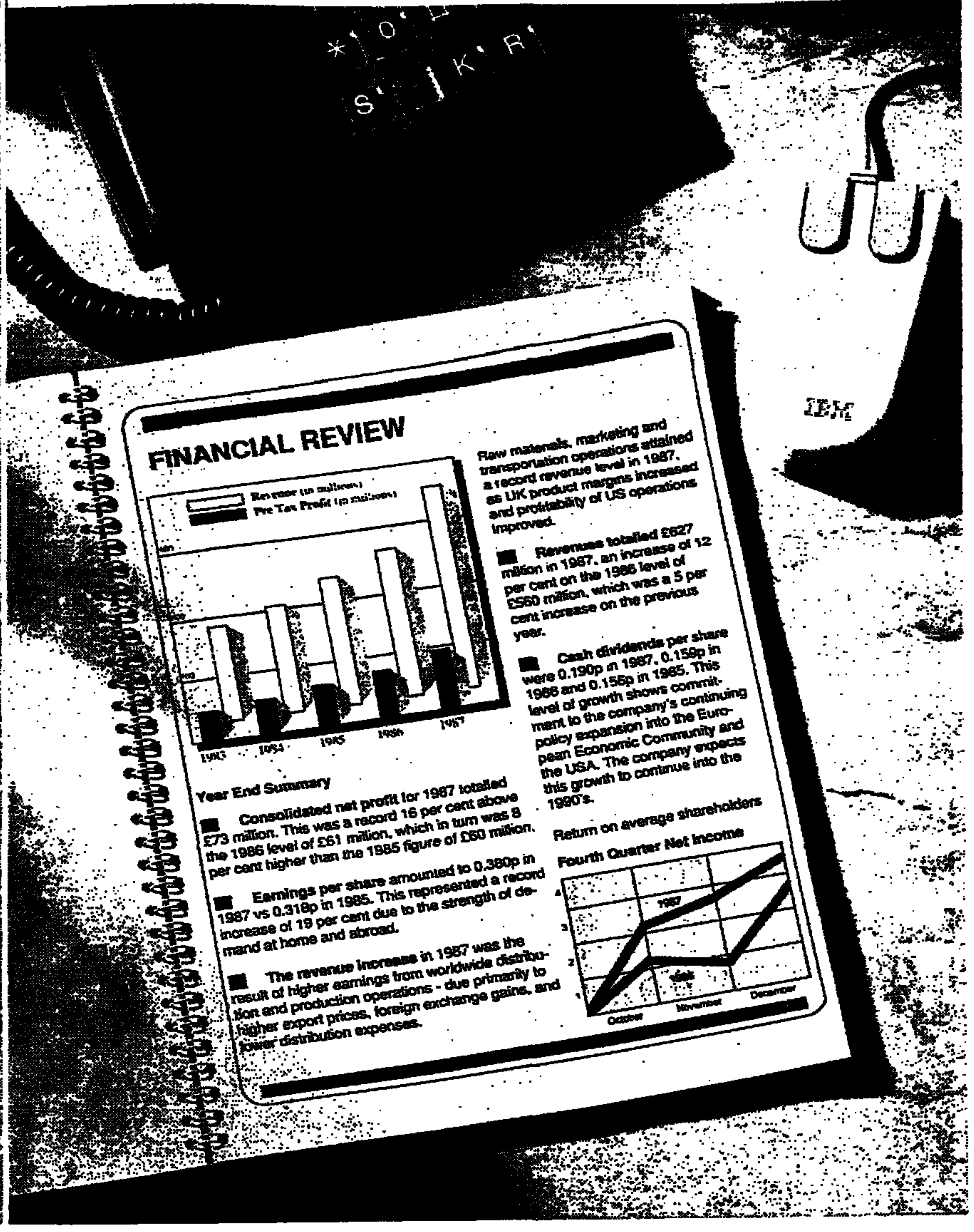
For Furness Withy: Colin MacKay (Herbert Reeves & Co)
For Mrs Ali: Winston Roddick QC and Michael Scotsen (Kenneth Elliott & Rowe, Romford)

Rachel Davies
Barrister

DEPARTMENTAL REPORT MAY 8TH.



DEPARTMENTAL REPORT MAY 9TH.



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UK NEWS

Lottery set up to supplement health service

BY FEONA McEWAN

THE NATIONAL Health Service, the state provision of medical care which is under severe financial strain and Government review, could receive a cash infusion of up to £40m a year from gambling.

Plans for a pioneering national lottery with a potential top prize of £200,000 were announced yesterday in the UK.

The scheme, which has been worked out after taking "extensive legal advice" by a company called Loto, is based on establishing 100 local lotteries each selling tickets corresponding to a pair of district health authorities. A national lottery would be illegal under existing legislation.

Players will pay up to £2 for a stake in the weekly draw and the winning pool will be half of the total stake money. The NHS will receive 35 per cent of the stake money with the remaining 15 per cent going to the cost of running the lottery.

The scheme was outlined by Sir Douglas Black (pictured right), past president of the Royal College of Physicians and of the British Medical Association. He is chairman of the newly established National Hospital Trust, which, along with Mr Roger Cummins of Loto who devised the scheme, will run the lottery.

The other trustees are Sir Adrian Blennerhassett, a management consultant, and Professor George Teeling Smith, the director of the Office of Health Economics

Sir Douglas stressed that the lottery is "a contribution not a substitution" for finance from taxation for the NHS. He said he had no qualms about sourcing health funds from gambling. The Health Service needs more money, he said.

Professor Smith said: "It seems to fit in with what we understand is the Government's philosophy."

"It will be illogical if the government objects," says Sir Douglas Black. "First, because it runs its own sort of lottery – premium bonds – and second because it is agreed by Government and opposition that there is scope for more money to come into the NHS."

The organisers hope to turn over about £75m in the first year, rising ultimately to the maximum possible £150m under the present legislation.

The NHS allocation will at first be distributed evenly to health authorities nationwide to spend as they see fit.

Mrs Edwina Currie, junior health minister said yesterday that the Government would be watching with interest, but added that it could never rival the billions the Government contributes to the Health Service.

A Health Department spokesman said the scheme would be studied and hoped it would not affect the valuable charity work being done in these areas locally.

At the start, five million homes in England, Scotland, Wales and Northern Ireland, will receive coupons through the mail. If the lottery is a success, the organisers plan to blanket the whole country.

The game consists of selecting four numbers out of a selection of 49. The first prize goes to those with all four correct. The odds of winning outright are one in 211,876. Second prizes will go to those with three correct numbers.

The lottery is being financed on an initial sum of £250,000 raised by Mr Cummins and financier Mr Souhail Mansour.

Lotteries in the UK, unlike most other western nations, have a poor record of success. Cummins says it is hard to know how the British public will take to this idea but six weeks should tell. The organisers expect to attract 100,000 players from the first week, rising to about 1.5m participants. The lottery requires 50,000 players to break even.

Taxes boost surplus in PSBR

BY SIMON HOLBERTON

HIGHER tax revenues and lower public spending were responsible for a public sector borrowing requirement surplus of £3.6bn in the 1987/88 financial year, according to official Treasury figures.

The PSBR was ABOUT £500m above the Treasury budget forecast.

Analysts said it was too early to challenge the Treasury's forecast of a PSBR surplus of £3.2bn for the current year but there was a general presumption that it was a cautious prediction.

The Treasury said the main reason for the surplus in the PSBR was the higher-than-estimated growth in revenues. Income and company taxes grew 18 per cent last year compared with a Treasury forecast of 12.5 per cent, and revenues from customs and excise grew 9 per cent compared with a forecast of 8¾ per cent.

However, savings on public spending were also made. Expenditure was 3¾ per cent higher in 1987/88 than in the previous year, primarily the result of lower outlays for unemployment and other social security benefits.

In the budget the Treasury said public expenditure was likely to be £2.6bn less than it first forecast and the figures indicate that it might turn out to be up to £3bn less than planned.

The figures show that the general government borrowing requirement was £100m less than estimated at the budget and that the public corporations borrowing requirement was £400m less

Nurses win full pay review rise of 15.3 per cent

BY MICHAEL CASSELL

THE GOVERNMENT yesterday attempted to regain the initiative in the debate on its handling of the national health service by deciding to fund in full pay increases averaging 15.3 per cent for Britain's 487,000 nurses.

Many backbench Conservatives last night warmly welcomed the pay rises, which they said should boost morale within the NHS and help recruitment. Some emphasised, however, that the awards will have little impact on the continuing problems of underfunding within the health service and that the issue will have to be faced sooner rather than later.

In a series of pay awards ministers have at the same time restricted pay awards for 2,000 top salary earners – including judges and senior civil servants – to average rises of between 5.4 per cent and 7.4 per cent.

These increases, together with average rises of 6.4 per cent for the armed forces, will have to be met out of existing departmental budgets.

The NHS increases - nine out of 10 nurses will receive rises of between 6.3 per cent and 33 per cent, with a small number getting up to 60 per cent – are substantially higher than had been expected. A staff nurse in intensive care could see her annual salary rise by over £2,000 to £10,650 while the salary of an experienced sister in an acute ward could rise from £12,000 to £13,925.

The awards, which were endorsed at yesterday's cabinet meeting, also include average increases of nearly 9 per cent for those working in professions allied to medicine and rises of just under 8 per cent for doctors and dentists.

The health service pay rises, which form part of the most extensive regrading exercise ever carried out for nurses, will cost the Exchequer £749m over and above the provisions already made for NHS pay in 1988-9.

Together with extra funds made available late last year, yesterday's package means the government has injected an additional £1.85bn into this year's health service budget. It now stands at £23.5bn, a 5.3 per cent increase in real terms on 1987-8.

In a written answer to the House of Commons, Mrs Margaret Thatcher, the Prime Minister, said she believed the increases, combined with the staff restructuring, will offer more attractive career prospects for the medical profession and provide proper recognition of the qualifications, skills and responsibilities

Mr John Moore, Social Services Secretary, said the awards showed the Government's commitment to the nurses and the other NHS professions. He said the new grading structure would "encourage people into nursing and to stay in nursing."

Mr Moore also confirmed that the pay review bodies would in future bring forward their timetable to report by early March at the latest. The change is intended to overcome criticism by the health authorities that they were being expected to set budgets before knowing the likely impact on their finances of pay awards.

Because of the time needed to introduce the new structure within district health authorities, all those affected will receive interim pay rises of 4 per cent from April 1. The full increases will be backdated on their introduction.

BANK OF ENGLAND INTERVENES TO STEM STERLING RISE

Money figures reveal credit surge

BY SIMON HOLBERTON

THE BANK of England yesterday intervened in currency markets in an attempt to stem the rise in the pound after the release of money supply figures for March, which showed another surge in credit demand and a key Government money target growing faster than planned.

Foreign currency markets viewed the figures as offering the authorities little scope for any early cut in interest rates.

Treasury officials said, however, that the Government would use currency market intervention and changes in the level of interest rates to pursue exchange rate stability. The current level of interest was thought appropriate.

The Bank of England's figures for March showed that credit demand still remained strong and the the Government's key money measure, M0, grew outside its target range for the first time since the Treasury first began targetting it in March 1984.

Analysts said the figures were unambiguously poor. They underlined the impression of an economy where credit growth was buoyant and demand remained strong. The annual rates of growth of the key monetary aggregates suggested the need for a tightening of domestic monetary conditions, they said.

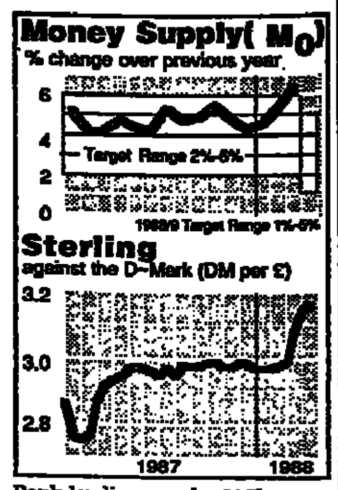
Officials privately agreed that in the past yesterday's figures probably would have been used to sanction a rise in base rates. Despite official intervention the pound rose by a pfennig and half a cent to DM3.1575 and $1.8985.

Foreign exchange traders are well aware of the Government's policy dilemma and in the absence of any cut in interest rates the market is now looking for sterling to test DM3.20.

The Treasury said yesterday that the figures did not carry an inflationary warning. It also noted that the Government had been able fully to neutralise the effects of nearly £7bn of foreign exchange intervention without unsettling monetary conditions.

In March M0 grew at an annual rate of 6.4 per cent compared with its target range of 2 per cent to 6 per cent. For the 1988-89 financial year the Treasury has set a target range of 1 per cent to 5 per cent although it acknowledged in last month's Budget papers that M0 was likely to grow faster than this in the early months of the year.

Lending by banks and building societies was up by £6.6bn – the second biggest rise recorded – compared with an average of the past six months of £5.2bn.



Bank lending rose by £4.7bn compared with an average for the past six months of £3.9bn.

Ford plans shake-up in retailing structure

BY JOHN GRIFFITHS

FORD'S 1,027 UK dealers have been told by the company this week to prepare for a "revolution" in the way they sell and service cars.

Dealer association meetings throughout the country have been informed that as part of the preparations Ford, the UK car market leader, is easing its controls on the number of main dealerships which can be owned by any one company or group.

The relaxation, resisted by Ford for many years, recognises that the major structural changes envisaged will require heavy investments which larger motor groups – many of them now public – may best be able to afford.

Dealers have been told that one of the changes will be the setting-up, initially by Ford itself on a pilot basis, of large, out-of-town service sites to be operated in parallel with conventional dealer outlets.

These will challenge the chains of "fast-fit" specialist concerns, such as Kwik-Fit Euro, which in recent years have taken a large volume of service and replacement parts business from the traditional motor trade.

Ford itself is not discussing the changes envisaged.

But they are understood to embrace almost every aspect of distribution, sales and aftermarket activity and set out Ford's vision of how the UK motor trade will operate throughout the 1990s.

It is known to be the end result of a secret, two-year study which has involved sales, marketing and all other key departments within Ford UK.

Japanese telecom group to establish joint UK venture

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

KOKUSAI Denshin Denwa, Japan's main international telecommunications group, is launching a collaborative venture in London in a move aimed at the lucrative UK market in overseas communications and data processing.

The Japanese group, until recently the only licensed international operator in Japan, is to set up a company offering a packaged service to customers who want an outside supplier to take care of their computer and telecommunications operations.

KDD will hold 33 per cent in the organisation, to be called Telehouse International, with British Telecom putting up a further 12 per cent out of a total capital of £15m. Nomura Research Institute, a branch of the Japanese securities house, will be the other leading shareholder with 23 per cent. There will be 15 smaller shareholders.

The new company is a further sign of the rapid breakdown of the long-standing monopoly structure in international communications. Until very recently overseas telecommunications throughout the world were handled by national telephone system operators dealing with similar companies abroad.

In the US, UK and Japan, however, the liberalisation of the industry has brought new competitors into the market, putting pressure on the international telephone companies to expand overseas with their own operations. KDD, for example, is facing domestic competition from two new operators in Japan, one of which, International Digital Communications, is part owned by Cable and Wireless of the UK.

The new London-based company will be part of an overseas network being set up by KDD which also includes a Telehouse centre now under construction in New York. Its linchpin is a planned six-storey building in London's docklands, in the city's east end, to be completed in December 1989 and providing space for computer systems.

KDD will offer to operate and maintain telecommunications and data processing networks for other companies which may wish to install the computers in the Telehouse centre. It will also handle all the negotiations with other telephone companies overseas for international traffic, and give communications advice.

British Telecom International, which has had long-standing arrangements with KDD, said last night that it was taking a shareholding in the venture because it complemented its own activities in docklands.

EC must agree any aid for 'dream ship'

BY WILLIAM DAWKINS IN BNRUSSELS

ANY GOVERNMENT aid for Harland and Wolff, the state-owned Belfast shipyard hoping to be contracted to build the world's largest cruise liner – codenamed the Ultimate Dream – would have to be cleared by the Brussels Commission in advance, EC officials confirmed yesterday.

The $500m project, believed to depend on the top 28 per cent subsidy rate allowed under EC rules, was discussed briefly yesterday at a meeting on EC regional assistance for the province between Mr Peter Schmidhuber, the West German Commissioner for regional policy and Mr Peter Viggers, Industry Minister in the Northern Ireland Office.

Mr Viggers told journalists later: "It is premature to speculate how the Government will respond until we have received the costings from the company." He said the government was committed to EC shipbuilding aid rules and recognised "that any support cannot exceed the 28 per cent limit. It is not a flexible limit."

Under the EC's 6th shipbuilding directive, aid can be disbursed even if there is no competing bid from a foreign or another EC yard. But if several EC yards are in the contract race, the Brussels executive usually insists that the lowest level of aid on offer to should apply, said a Commission official. Mr Ravi Tikkoo, the Indian born businessman ordering the ship, has invited no other bids.

The 28 per cent EC aid limit, which work's out at around £70m in the case of the Harland and Wolff project, is intended to bridge the average gap in costs between European yards and their cheaper Far Eastern competitors.

It applies equally to all kinds of vessel, even though – according to Commission estimates – the actual difference in costs can vary from as high as 45 per cent for very large crude carriers, down to 10 per cent for cruise liners like the one in the current plan, where Community yards remain relatively competitive.

P&O talks with striking seamen stay deadlocked

BY JIMMY BURNS, LABOUR STAFF

THE DISPUTE that has paralysed P&O European Ferries' cross-Channel operations for over 11 weeks remained deadlocked last night in spite of the company's claims that nearly 1,000 out of 2,200 Dover-based striking seamen had accepted its proposals for new working conditions.

Talks between P&O and the National Union of Seamen broke down after only 45 minutes and the company threatened to attempt to put its ships back into operation next week without the union.

Mr Graeme Dunlop, the company's managing director, last night described the meeting with local union officials as a "total waste of time". He accused union shop stewards of adopting an "irresponsible and destructive attitude" and of prolonging the strike "for no good reason".

The company says the new terms it is proposing are essential cost-saving measures if the UK ferry sector is to compete successfully with the opening of the Channel Tunnel in 1992.

The terms, which were put to the striking seamen over the heads of union officials two weeks ago, include altered shift patterns, a radically simplified salary structure and 362 redundancies. As part of the package P&O seamen are being offered an extra £400 a year on the Dover – Zeebrugge and Dover – Boulogne routes.

DEFENDANT CLAIMS CASE UNCOVERED LOOPHOLE IN LAW

Forgery charge dismissed against hackers

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

TWO COMPUTER "hackers" who broke into British Telecom's Prestel computer network were not guilty of forgery, five Law Lords ruled yesterday.

The Law Lords dismissed a prosecution appeal against the Court of Appeal's decision last July that Mr Stephen Gold, an accountant, and Mr Robert Schifreen, editor of a computer magazine, had dishonestly gained access to the Prestel data bank by "a trick" which was not a criminal offence.

One of Mr Schifreen's hacking ventures gained him access to the Duke of Edinburgh's Prestel messages file. Mr Schifreen said yesterday that the messages had not been terribly interesting – mostly congratulations on the birth of Prince William.

Lord Brandon said the two men had used home micro-computers to gain unauthorised access to several Prestel computers, by obtaining and using other people's customer identification numbers (CINs) and passwords without permission.

They had obtained information to which they were not entitled, made unauthorised alterations to stored data and caused charges to be made to Prestel account holders without their knowledge or consent.

Their object, said Lord Brandon, "was not so much to gain any profit for themselves as to demonstrate their skill as 'hackers.' It never occurred to them that they might be committing any offences under the Forgery and Counterfeiting Act 1981."

Mr Gold and Mr Schifreen were convicted in 1986 of nine offences under the act, which were later quashed by the Court of Appeal.

Lord Brandon said a person was guilty of forgery under the act if he made a "false instrument" – an instrument being defined as "any disc, tape, sound-track or other device on or in which information is recorded or stored . . ."

The main issue was whether a "false instrument" was made by keying into part of a computer (the user segment), without permission, another's CIN and password, with the intention of gaining unauthorised access to the data base, and the user segment briefly stored or recorded the information while checking it.

The Crown argued that the relevant instrument was the control area of the user segment while it recorded and/or stored the CIN and password. Mr Gold and Mr Schifreen had each made such an instrument when they keyed in the electronic impulses which constituted the CINs and passwords, the Crown said.

Mr Gold and Mr Schifreen contended that recording and storage were lasting and continuous processes and that the process relied on by the Crown involved no more than the CIN and password being held momentarily while being checked and then being totally and irretrievably expunged.

Lord Brandon agreed, saying that "recorded" and "stored" connoted preservation for an appreciable time with the object of subsequent retrieval or recovery.

After yesterday's ruling Mr Schifreen said he thought the case had usefully found a loophole in the law.

"I am not saying computer hacking should be legal but there should be a specific law to cover it. We have spent three years discussing two words, which proves that the Forgery Act was just not designed to deal with hacking."

High TV advertising costs 'not due to production inefficiency'

BY RAYMOND SNODDY

THE HIGH COST of television advertising in the UK is caused by high demand for airtime in a buoyant economy and is not the result of inefficiencies in commercial programme production, according to an economic study.

The interim findings of a study by National Economic Research Associates (Nera) on behalf of the Independent Television companies are in marked contrast to a study published earlier this week by Booz Allen & Hamilton which was sponsored by a group of large advertisers such as British Airways and Procter and Gamble.

The Booz Allen study argued that British advertisers were having to pay as much as £270m in unnecessarily high advertising costs compared with international competitors because the market is working badly.

Nera argues instead that: "The high cost of television advertising should on the whole be seen as the result of decisions taken by advertisers, perceived to be in their self interest in a buoyant economy and not as the cause of major economic problems."

The consultancy, which carried out research for the Peacock Committee on the future financing of British broadcasting, believes that in the long term television advertising spending is determined by the level of consumer expenditure and the supply of airtime.

But contrary to much of the evidence submitted to the Peacock Committee, Nera now believes that if the supply of television airtime rises, the increase in demand will counteract any fall in price and overall advertising revenue will rise.

A 10 per cent increase in consumer expenditure, Nera believes, will lead in the longer run to a 12 per cent increase in television advertising spending.

A 10 per cent increase in commercial home minutes – the number of minutes multiplied by the number of homes watching – will result in a 4.5 per cent increase in television advertising spending.

Booz Allen supported the call for a fifth television channel based on advertising to reduce the cost of airtime, but Nera believes new channels will not cause any significant fall in price, partly because the total amount of viewing will increase slowly at best.

"Indeed because that audience will be fragmented between a number of competing channels, it may even be more costly for some advertisers to reach their target audience," Nera suggests in its study.

Nera argues that the only policy likely to substantially cut the price of television advertising would be either the introduction of advertising on the state-backed and non-commercial BBC or the reduction of the BBC's role to a minority interest public service broadcaster.

The UK at present has two state channels, BBC1 and BBC2, and two commercial channels, Channel 4 and the 16 independent stations which comprise ITV and are franchised by regions.

How the battle of the consultant's reports on the television advertising market is perceived by the Government could have an effect on imminent policy decisions – in particular on the issue of whether or not to give the go-ahead for establishment of a fifth channel.

The Nera findings also raise the question of whether or not the high cost of television advertising is responsible for pushing small brands to the margin.

Market concentration results from many factors, Nera argues, and itself could have contributed to rising the rising expenditure by advertisers as a small number of producers in each market compete for their brands' market share share.

Nera's full report on television advertising is expected to be completed by early May.

Pregnancy no basis for dismissing staff, say law lords

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

AN EMPLOYER is not entitled to make use of a redundancy situation "to weed out his pregnant employees," the Law Lords ruled yesterday.

Lord Griffiths said that it was no doubt inconvenient for an employer to have to arrange to keep a woman's job open for her while she was absent having a baby. That, however, was a price that had to be paid as part of the social and legal recognition of women's equal status in the workplace.

"If an employer dismisses a woman because she is pregnant, and he is not prepared to make the arrangements to cover her temporary absence from work, he is deemed to have dismissed her unfairly.

"I can see no reason why the same principle should not apply if, in a redundancy situation, an employer selects the pregnant woman as the victim of redundancy to avoid the inconvenience of covering her absence from work in the new employment he is able to offer others threatened with redundancy," said Lord Griffiths.

He was giving the Law Lords' reasons for their decision in February for upholding a claim by Mrs Maria Brown that she had been unfairly dismissed by Stockton-on-Tees borough council, Cleveland, in north east England.

Mrs Brown had been a supervisor on one of the council's Youth Training Scheme projects. When the projects were reorganised in 1985 four women were left vying for three posts and Mrs Brown, who was soon to take maternity leave, was declared redundant.

An industrial tribunal decided that that amounted to unfair dismissal on the grounds of Mrs Brown's pregnancy.

That decision was reversed by the Employment Appeal Tribunal (EAT), whose ruling was upheld by the Court of Appeal. The appeal judges held that the main reason for dismissal had been the need to make one supervisor redundant and that the council had been entitled to use pregnancy as a factor in its decision.

Lord Griffiths said that both the EAT and the appeal court had been influenced by the juxtaposition in the 1978 Employment Protection (Consolidation) Act of section 59, dealing with dismissal on ground of redundancy, and section 60, dismissal on ground of pregnancy.

The appeal court had said that, if selection for redundancy on the ground of pregnancy was automatically to be unfair, it would have been possible to have said so.

Lord Griffiths said that the two sections had reached the act from different contexts and by different routes. Section 59 derived from the 1971 Industrial Relations Act, which created the right not to be unfairly dismissed. Section 60 had its origin in the 1975 Employment Protection Act which extended the law to protect women's employment during pregnancy and after giving birth.

It would, therefore, be unsafe to rely on the fact that section 59 did not specifically deal with the effect of pregnancy in a redundancy situation. Lord Griffiths said that section 60 did not mean that a pregnant woman's dismissal would be unfair in all circumstances.

There would be many dismissals on grounds of redundancy which could not be said to be connected with her pregnancy.

FREEGOLD

Free State Consolidated Gold Mines Limited

Incorporated in the Republic of South Africa Registration No 05/28210/06
Issued Capital: 116 179 121 shares of 50 cents each

Report of the directors for the quarter ended March 31 1988

The following are the results of the company and its wholly-owned operating subsidiary, Free State Consolidated Gold Mines (Operations) Limited.

OPERATING RESULTS

FINANCIAL RESULTS

OPERATING AND FINANCIAL RESULTS

North Region

South Region

OPERATING AND FINANCIAL RESULTS—continued

Metallurgical Scheme

SHAFT SINKING

North Region

South Region

DEVELOPMENT

NORTH REGION

Freddies Mine

Free State Geduld Mine

Western Holdings Mine

SOUTH REGION

President Brand Mine

DEVELOPMENT—continued

President Steyn Mine

Free State Saaiplaas Mine

Erfdeel

Totals

CHANGE OF FINANCIAL YEAR END

DIVIDEND

CAPITAL EXPENDITURE COMMITMENTS

MINIMUM TAX ON COMPANIES (MTC)

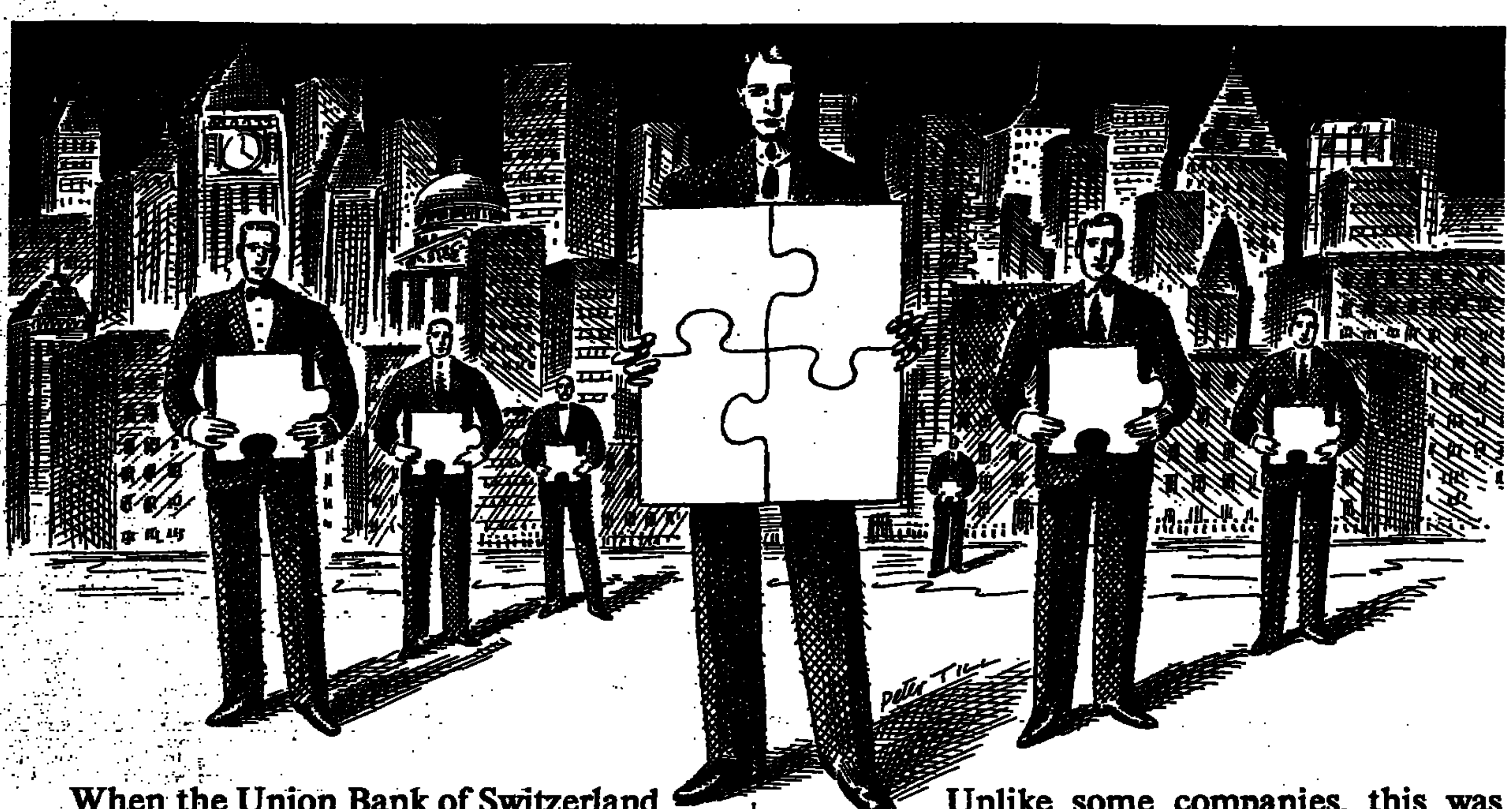
ANGLO AMERICAN GROUP EMPLOYEE SHAREHOLDER SCHEME

For and on behalf of the board,
E. P. Gush
L. Hewitt } Directors

April 22, 1988

WELKOM GOLD HOLDINGS LIMITED
Registration No. 05/24464/06
and
ORANGE FREE STATE INVESTMENTS LIMITED
Registration No. 05/05715/06
(Both of which are incorporated in the Republic of South Africa)
The attention of shareholders of these companies is directed to the above report.
London Offices: 40 Holborn Viaduct, EC1P 1AJ
The Transvaal Group's quarterly results appear on another page in this newspaper.

HOW DID DATA LOGIC WIN THE BIGGEST DEALING ROOM SYSTEM CONTRACT IN THE WORLD?



When the Union Bank of Switzerland decided to evaluate their future requirements in London, they did it with the thoroughness and professionalism you would expect.

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The complex system integration that might be 'state of the art' today could be obsolete in a year or two.

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DATA LOGIC FINANCIAL SYSTEMS

The ingenuity to keep you ahead.

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THE PROPERTY MARKET

Chicago: a developer's kind of town

By Paul Cheeseright

BRITISH property developers feeling a little queasy about how the City of London property market might develop over the next two to five years might spare a thought for Chicago, basking in the fortune of last year's highest take-up of space for a decade.

The four main districts - West Loop, Central Loop, East Loop, and North Michigan Avenue - which make up the downtown office area, have an office stock of over 95m sq ft, according to the figures of Coldwell Banker, the real estate brokers.

For the purposes of comparison, that stock is nearly double that of the City's or roughly one third more than the West End's, but more than 11 per cent of it is vacant, as against the 2 per cent in central London calculated by Jones Lang Wootton, chartered surveyors.

Still, the amount of available space in the City has been creeping up and, said Debenham Tewson and Chinnocks, chartered surveyors, is now at 1.9m sq ft, the highest since November 1985.

The speed of development in central London though is quicker than that of Chicago. Nearly 7m sq ft of space will be completed in London this year, more than in any year since the 1970s, according to Jones Lang Wootton. In Chicago, Coldwell Banker expects 6.7m sq ft of space to be completed in the next three years.

Of the London completions, just under two thirds have already been taken up. Of the Chicago completions over the longer time span, 43 per cent has been pre-let.

But while London developers and property analysts are equivocal about the medium-term prospects for space usage, Mr Scott Miller, a principal at the John Buck Company, a Chicago developer, which is the subject of the accompanying article, is unequivocal. "There is more office space in the market place than tenants available to fill that space," he said.

Arguably, this is not only a question of short-term trends related to ease of credit and the cyclical nature of the property market. There is a longer term factor. "There has been an increase in office demand over the last ten years because of the change to the service economy. But probably this will slow down over the next 20 years. It will dampen demand," commented Michael Herzberg, vice-president of JMB Realty.

JMB, with headquarters in Chicago, has a property portfolio of $16bn. It draws in institutional funds and private capital for investment in the property market and is as well on its own behalf a developer. Its sheer size makes its view of investment trends a harbinger of what could happen in the market place.

The group has property in Chicago, notably the 74-storeys Water Tower Place on North Michigan Avenue and is developing a mixed-use project just opposite - offices, hotel, retail and residential. But Mr Herzberg at least is cautious about the investment prospects in the city.

Taking broadly the same approach as a British investor, he contended that "the best way to make money is to be as monopolistic as possible," and by that he meant investing a property which cannot be easily reproduced in a location where there is not too much scope for endless new building.

In the US, Beverly Hills fits those criteria - there is little land for development and the planning restrictions - the zoning restrictions, as the Americans say, are tight. So does Boston - land is difficult to obtain, and said Mr Herzberg, the zoning restrictions are the most difficult in the country. Downtown Washington DC has some of the same characteristics. But not Chicago.

"As a buyer you are better off in Beverly Hills than you are in Chicago," said Mr Herzberg. In Chicago land is relatively freely available and the zoning restrictions are light. Once these particular factors are tied in to the longer term trend that the expansion of the general demand for offices has passed its peak, then a disparity of aims between the developer and the ultimate investor is bound to appear.

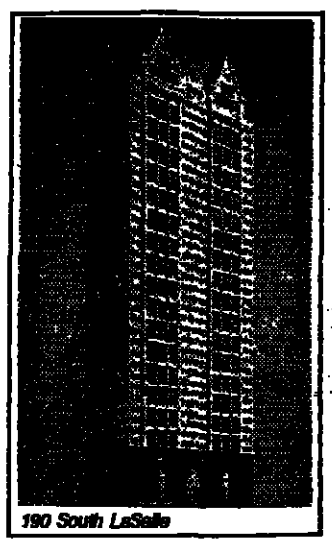
Developers need land on which to build and a relatively free environment in which to do it. They need a ready availability of funds to finance them. All of these have been present in Chicago. Therefore there is the threat of overbuilding, precisely the sort of situation an investor would seek to avoid.

This threat has been disguised to some extent by the recent heady level of demand for space. Jeffrey Barrett, Coldwell Banker's manager in Chicago, was surprised. "What I did not foresee, and frankly I do not think that anyone saw, was 1987 being a record breaking year of leasing resulting in only a one tenth of 1 per cent increase in the vacancy rate to the current level of 11.7 per cent."

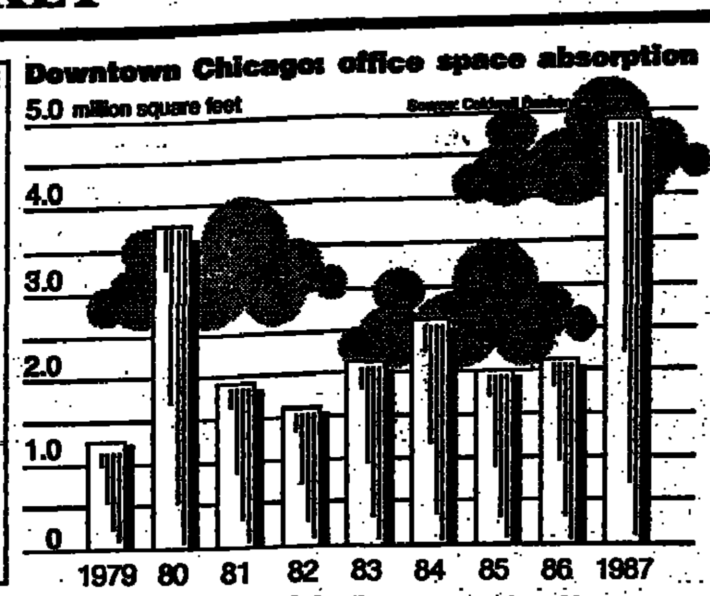
That vacancy rate is 4.5 percentage points under the national downtown average in the US and it came about because the absorption of office space in Chicago reached a huge 4.8m sq ft last year, compared with an average this decade of more like 2.5m sq ft.

Because the amount of new space coming on to the market this year is small, there will be some financial comfort this year for the property owners who will probably have an opportunity to jack up rents. But the market will ease up. "For developers," Mr Barrett calculated, "we see tremendous competition for anchor tenants." Coldwell Banker has counted 15 developers with sites being prepared for buildings opening in late 1990 or 1991. This is like the City of London all over again.

But Chicago developers have different criteria from London developers, who in recent years have seen everything they produced snapped up. Although developers in Chicago at one stage would start a building on a totally speculative basis, this has changed. "If you can open the doors with a 25 per cent occupancy and fill the building in two years, that is seen as successful," said Mr Barrett.



190 South LaSalle



35 West Wacker

THE John Buck Company opened 190 South LaSalle Street (left) in the heart of Chicago's financial district at the beginning of last year. It is 73 per cent let. "Relative to the market, this project has done very well," said Mr Scott Miller, the senior vice-president.

Construction of 35 West Wacker Drive (right), also in downtown Chicago, started in 1986, but the building will not be finished for another year. Unusually for Chicago, the building is 82 per cent pre-let, largely because John Buck came together with Leo Burnett, the advertising group, which was looking for a new headquarters.

A bid was put in for land owned by the City of Chicago and construction started with the knowledge that Leo Burnett would take half the space in the 50-storey, 1.1m sq ft net building. Since then two law firms have contracted to take space.

With a bespoke building for the American Medical Association, 35 West Wacker is the focal point of John Buck's development activity in Chicago, the centre of its operations. The private company, formed in 1981 with seven partners, has a development programme worth $600m. It has never sold an building outright. It builds to hold.

But what it has done is to sell half the equity in 190 South LaSalle to Travelers Companies, the insurance and financial services institution and to Nissei Realty, a subsidiary of Nippon Life Insurance. This is a reminder of Japanese interest in the US property market.

Japanese investment in Chicago is recent and small relative to the amount which has been poured into Los Angeles and New York.

Although John Buck will continue to develop in Chicago, it is diversifying. In Chicago it is in the early stages of preparing four more sites. But, stressed Mr Miller, "we will not build on totally speculative basis. At a minimum we would require 25 per cent of a building to be leased." This is not only because the market is precarious but also because it facilitates financing.

International Property

Company Notices

Free State Consolidated Gold Mines Limited

FREEGOLD

(Incorporated in the Republic of South Africa)
Registration No. 05/26210/06

FIRST INTERIM DIVIDEND (NO. 66)

On Thursday, April 21 1988, interim dividend No. 66 (being the first interim dividend in respect of the financial year of eighteen months ending March 31 1989) was declared as follows:

Amount (South African currency)	44 cents per share 1988
Last day to register for dividend (and for changes of address or dividend instructions)	Thursday, May 5
Registers closed from to (inclusive)	Friday, May 6 Saturday, May 21
Ex-dividend on Johannesburg and London stock exchanges	Monday, May 9
Currency conversion date for sterling payments to shareholders paid from London	Monday, May 9
Dividend warrants posted	Thursday, June 9
Payment date of dividend	Friday, June 10
Rate of non-resident shareholders' tax	15 per cent

Holders of share warrants to bearer are notified that the dividend is payable on or after Friday, June 10 1988, upon presentation of coupon marked "South Africa" and No. 6 on the side reflecting the share warrant number, at the offices of First National Bank of Southern Africa Limited, Stock Exchange Branch, Diagonal Street, Johannesburg, South Africa; Union Bank of Switzerland, Bahnhofstrasse 45, 8021 Zürich, Switzerland; Crédit du Nord, 6 and 8 Boulevard Haussmann, 75009 Paris, France; and Banque Bruxelles Lambert, 24 Avenue Marnix, 1050 Brussels, Belgium, only. Coupons must be left at least four clear days for examination.

The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the company and its transfer secretaries.

Change of financial year end

It has been decided, for administrative reasons, to change the company's financial year end from September 30 to March 31. The next financial year of the company will be a period of eighteen months ending March 31 1989. A second interim dividend will be considered by the board on October 20 1988.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per: N.E. Stinton
Divisional Secretary

Transfer Secretaries
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg
2001
(P.O. Box 61051 Marshalltown 2107)
and
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Head Office
44 Main Street
Johannesburg
2001
(P.O. Box 61587
Marshalltown
2107)

London Office
40 Holborn Viaduct
London EC1P 1AJ

Johannesburg
April 22 1988

Personal

Clubs

Art Galleries

Company Notices

East Rand Gold and Uranium Company Limited

Incorporated in the Republic of South Africa
(Registration No. 71/07001/06)

FINAL DIVIDEND — NO. 19

On Thursday, April 21 1988, final dividend No. 19 in respect of the year ended March 31 1988 was declared payable to holders of ordinary and S ordinary shares, as follows:

Amount (South African currency)	H cents per share 1988
Last day to register for dividend (and for changes of address or dividend instructions)	Thursday, May 5
Registers closed from to (inclusive)	Friday, May 6 Saturday, May 21
Ex-dividend on Johannesburg and London stock exchanges	Monday, May 9
Currency conversion date for sterling payments to shareholders paid from London	Monday, May 9
Dividend warrants posted	Thursday, June 9
Payment date of dividend	Friday, June 10
Rate of non-resident shareholders' tax	15 per cent

The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the company and its transfer secretaries.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per: A.J.S. Sebba
Companies Secretary

Transfer Secretaries
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg
2001
(P.O. Box 61051 Marshalltown 2107)
and
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL
England

Head Office
44 Main Street
Johannesburg
2001
(P.O. Box 61587
Marshalltown
2107)

London Office
40 Holborn Viaduct
London EC1P 1AJ
England

Johannesburg
April 22 1988

EBES

Incorporated under the laws of the Kingdom of Belgium

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held on Monday, 9th May 1988 at 11 a.m., at the Registered Office of the Company, Mechelsesteenweg 271, Antwerp, Belgium.

BUSINESS

1. To receive the Reports of the Board of Directors and of the "College des Commissaires".
2. To approve the Balance Sheet, Profit and Loss Account and the appropriation of Profits, for the year ended 31st December 1987.
3. To give discharge to the Directors and "Commissaires".
4. To elect Directors.
5. To elect a ""Commissaire" and to determine his remuneration.

NOTE

Holders of share warrants entitled and wishing to attend or be represented at the meeting should deposit, by 9th May 1988, either their share warrants to bearer or a certificate of their holding issued by their Bankers, at Banque Belge Limited, 4, Bishopsgate, London EC2N 4AD. Thereupon an admission card will be issued.

STATE LOAN OF THE KINGDOM OF HUNGARY 7.1/2% (Now 2.75 per cent) Sterling Bonds 1924

N.M.ROTHSCHILD & SONS LIMITED announce that the Coupons due 1st May 1988 from bonds which have been assented in London to the 1969 Offer may now be lodged with them, listed on the special forms which can be obtained on application.

Coupons will be received on any business day between 9.30 a.m. and 2.00 p.m. and must be left for an appropriate period for examination.

N M Rothschild & Sons Limited
New Court, St. Swithin's Lane,
London EC4P 4DU

22nd April 1988.

Notice To the holders of COMMONWEALTH BANK OF AUSTRALIA YEN 15,000,000,000 5 per cent. Dual Currency Yen/Australian Dollar Notes due April 24, 1992

In accordance with Condition 14 of the above mentioned Notes (the "Notes"), Commonwealth Bank of Australia (the "Bank") hereby gives notice that, with the approval of The Law Debenture Trust Corporation p.l.c. as trustee for the holders of the Notes (the "Trustee"), the London branch of the Bank at 8 Old Jewry, London EC2R 8ED, has been appointed a paying agent in London for the Notes with immediate effect and that, with the approval of the Trustee, notice has been given to Orion Royal Bank Limited of the termination of its appointment as paying agent in respect of the Notes.

22nd April, 1988

Public Notices

Monopolies and Mergers Commission

INVESTIGATION INTO THE BRITISH RAILWAYS BOARD

On 11 April 1988 the Secretary of State for Trade and Industry referred to the Monopolies and Mergers Commission for investigation and report certain questions relating to the efficiency and cost effectiveness of the British Railways Board in supplying rail passenger services in its Provincial Business Sector with particular reference to the scope for matching services more closely to demand, the level and structure of fares charged for provincial rail services and the Board's response to competition from bus and coach services. A copy of the full terms of reference is obtained from, and anyone wishing to submit evidence may write to:

The Secretary
Monopolies and Mergers Commission
New Court
48 Carey Street
London WC2A 2JT.

Legal Notices

MULTIWRAP LIMITED

Registered number: 1366534
Trading name: CONFECTO
Nature of business: WHOLESALE CASH AND CARRY
Trade classification: 12
Date of appointment of administrative receiver(s): 14 April 1988
Name of person appointing the administrative receiver(s):
National Westminster Bank PLC Roger William Cork (Office Holder No: 1853) and Christopher John Hughes (Office Holder No: 2041)/Joint Administrative Receivers Both of Cork Gully, Shelly House, 3 Noble Street, London EC2V 7DQ

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION No: 1186 of 1988 IN THE MATTER OF: HIGH-POINT SERVICES GROUP Plc AND IN THE MATTER OF: THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 28th March 1988 confirming the reduction of the Share Premium Account of the above-named Company by the sum of £2,132,371 was registered by the Registrar of Companies on the 30th March 1988 Dated this 20th day of April 1988

Davies Arnold & Cooper of
12 Bridewell Place London
EC4V 6AD

Solicitors for the
above-named Company.

NEIL AND SPENCER HOLDING PUBLIC LIMITED COMPANY

GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at Shelley House, 3 Noble Street, London EC2V 7DQ

at 15.00 hours on Thursday, 5th May 1988

for the purpose of having laid before it a copy of the report prepared by the administrative receiver(s) under section 48 of the said Act and, if thought fit, appointing a committee.

Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown below, no later than 1200 hours on 4th May 1988, written details of the debts they claims have been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there was been lodged with us any proxy which the creditor intends to be used on his behalf.

Dated 15 April 1988
M A Jordan & R M Addy
Administrative receivers
Cork Gully

SOCIETE GENERALE USD 372.000.000 Subordinated Floating Rate Notes due 1998

For the six months, April 21, 1988 to October 20, 1988, the rate of interest has been fixed at 8,05 % P.A.

The interest due on October 21, 1988 against coupon nr 1 will be $US 40.920,83 and has been computed on the actual number of days elapsed (183) divided by 360.

The Principal Paying Agent
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

UNITED BISCUITS (HOLDINGS) PUBLIC LIMITED COMPANY PETITION FOR CONFIRMATION OF REDUCTION OF SHARE PREMIUM ACCOUNT PURSUANT TO SECTION 136(1) OF THE COMPANIES ACT 1985)

NOTICE is hereby given that in a Petition presented by United Biscuits (Holdings) Public Limited Company, having their registered office at 12 Hope Street, Edinburgh an order was pronounced by the Inner House of the Court of Session at Edinburgh on 15th Arpil 1988 to appoint the said Petition to be intimated on the Walls and in the Minute Book in common form and to be advertised once in the Edinburgh Gazette and once in the "Scotsman" and "Financial Times" Newspapers and to allow all parties having an interest to lodge Answers thereto if so advised within twenty-one days after such intimation and advertisement.

W & J Burness W.S.
16 Hope Street
Edinburgh
EH2 4DD
Agents for the Petitioner

Legal Notice

BIG M WHOLESALE FOODS LIMITED

Registered number: 1250612
Trading Name: BIG M CASH & CARRY
Nature of business: WHOLESALE CASH & CARRY
Trade classification: 12
Date of appointment of administrative receivers: 14 April 1988
Name of person appointing the administrative receivers:
National Westminster Bank Plc
Roger William Cork (Office Holder No: 1853) an Christopher John Hughes (Office Holder No: 2041)
Joint Administrative Receivers both of Cork Gully: Shelley House, 3 Noble Street, London EC2V 7DQ

MANAGEMENT

Daimler-Benz

Sparring with utter politeness

Christopher Lorenz examines tensions beneath the surface of West Germany's largest industrial group as it tries to create synergies with its new subsidiaries

A FEW months ago Dr Hans Gissel, the research and technology director of AEG, remonstrated with his counterpart at Daimler-Benz that "you must stop coming up with new synergy ideas – we can't cope with any more. You're clogging up the works."

The Daimler board member in question, Dr Rudolf Hörnig, recounts the episode with a smile as he rebuts outside criticism that too little is being done, too slowly, to create the technological "synergy" which was heralded as one of the main purposes of Daimler's 1985 diversification into electronics (through the partial takeover of AEG), aerospace (via Dornier) and non-automotive engines (Motoren & Turbinen Union).

Edzard Reuter, Daimler's chairman, has warned repeatedly that the "synergy" work of this new industrial giant will take a long time to produce concrete results (see this page April 18).

Yet there has been considerable sniping in West Germany about the fact that virtually the only visible result so far has been a decision to turn a new AEG research centre in Ulm, south-east of Daimler's home town of Stuttgart, into a group-wide facility.

The truth is that Daimler's typically German reluctance to bare its inner workings to the press has masked a veritable beehive of activity. Since early 1986 a welter of synergy committees, joint working groups, project teams and steering groups has been bursting out all over the enlarged Daimler empire.

So much so that AEG's Gissel readily confirms his previously private complaint, and elaborates. Leaning across the table in his Frankfurt office, he says: "It has not been helpful to start so many *projects at the same time.*"

In order to create an internal "demonstration effect" for engineers and managers throughout the group, as well as a commercial impact outside, he says it would be better "to run a few *projects* very *fast* – we *must* learn to channel our resources." Hörnig now concurs, at least with Gissel's last comment.

As companies with much more experience of acquisitions than Daimler know only too well, digesting them is never easy, especially when one of their goals is the creation of synergy between the parent and its new subsidiaries. The friendly sparring between Hörnig and Gissel is indicative of the inevitable tensions which lie just below the surface of Daimler and its new "partners", as its executives insist on calling AEG, Dornier and MTU.

Gissel is equally outspoken about Daimler's tendency to create too many steering committees and other bureaucratic devices, instead of moving faster to rationalise activities between the four companies by designating "centres of excellence".

There is also evidence of incipient resentment among Daimler's "partners" at its lack of experience in managing diverse organisations, and the still overwhelming preoccupation of many of its senior and middle managers (though not its board) with cars.

As Gissel puts it, AEG was *acquired to help create a broad* industrial group, "not. . .to build better cars. Most of the Daimler-Benz people don't realise this." Tellingly, he feels the need to stress that the group now includes several activities with *faster growth rates than Daim*ler's famous Mercedes cars.

At least to the outside eye, such tensions seem relatively amicable – so far, at least. Just as Hörnig and Gissel discuss their views with unusual openness, so executives from the various companies beneath them spar with the utmost politeness about such sensitive issues as whether the proud Mercedes people really do have much to learn from Dornier's expertise in aerospace, and why it is only Daimler people who have so far been chosen as "spokesmen" (primus inter pares) for all the technology project groups.

But beneath this gentlemanly veneer all sides admit that the "getting-to-know-you" period of the past two-and-a-half years has been easy compared with the difficult digestion decisions which have yet to be made.

Daimler's Hörnig admits that "the major problems have yet to come" in the division of technical and managerial *responsibilities* – and labour – between the group companies. And then there is the critical challenge of creating a really common corporate culture, something which Edzard Reuter and everyone else recog*nises will be vital to the success* of the whole enterprise.

Hörnig says "there was no demonstration of superiority on the part of the parent"

It was Rudolf Hörnig who initiated the first phase of collaboration between the four companies after Daimler's 1985 takeovers.

Because of painful wrangling about changes in Daimler's board structure, it was not until the summer of 1986 that a formal board-level mechanism was established to determine and co-ordinate the strategy and structure of the various parts of the enlarged group.

By the time this "structure and synergy" committee began its work, Hörnig had already made considerable progress on the technology front. His approach to the tricky process of post-acquisition management was influenced by a study of American takeovers carried out by McKinsey & Co, the management consultancy, which outlined some of the reasons for the remarkably high failure rate of acquisitions.

In all his dealings with the new subsidiaries, Hörnig says "there was no demonstration of superiority on the part of the parent". The notion of "partnership" is real, not a fiction, he insists. The McKinsey study also taught him *to avoid the extremes of central*ised or decentralised research.

Early in 1986 Hörnig had started regular meetings, every four to six weeks, with his four fellow technical directors (Dornier has two of them, the other companies one apiece).

To start real cross-fertilisation in earnest, Hörnig and his colleagues began to define a number of collaborative "synergy projects" in which each company could play a part. All these have since had to be cleared by the structure and synergy committee (of which Hörnig's grouping is now a sub-committee), as well as by the board itself; the latter gave the go-ahead last December, as part of a broad new group research and technology programme.

The first project was the most obvious: a very large, eight-year programme called "Traffonic", for the introduction of electronics into all aspects of automotive transport, including public traffic communication and control systems – what Hörnig calls "the intelligent car on the intelligent road".

The project had already been initiated by Daimler-Benz on its own to develop, augment and commercialise some of the joint research being conducted by the European motor industry under a collaborative project called "Prometheus".

The inclusion of the new Daimler subsidiaries has not speeded *up the programme*, *Hörnig* explains; it was already on a fast track. But it has enabled Daimler to do much more on its own than would otherwise have been possible, and to give much less of its know-how away to outside suppliers. The ability to keep vital know-how secret a little longer can produce a major commercial pay-off.

In addition to Traffonic, almost a dozen other large-scale projects are either up and running or in preparation under the auspices of the group's research and technology directors (see inset).

Though Hörnig expects much – eventually – from their combination of vertical and horizontal integration, he denies that the enlarged Daimler group is trying to master every relevant technology itself. In materials, for instance, he says "we still want to collaborate with others".

Separately from the projects directly under Hörnig, a sizeable number of cross-company working groups of various sorts is also involved on shorter-term development projects within Daimler's car and commercial vehicle divisions.

Here, the official principle is that AEG, Dornier and MTU should be given some preference, mainly by receiving early warning of Daimler's plans. But it is difficult to operate in practice, since communications with established suppliers are so good.

It was Daimler's position as a large and vital customer, rather than as a majority shareholder,

A sizeable number of cross-country working groups is involved in shorter-term projects

which took pride of place in the thinking of most AEG managers and engineers following the 1985 takeover, Gissel suggests.

To some extent it still does. Yet he foresees little difficulty, at least from AEG's side, in the very necessary process of ironing-out cross-company overlaps by transferring activities from one to the other. "If another member of the group can do something more effectively, then that's rational – AEG needs to concentrate anyway," he says.

Such transfers have occurred with increasing frequency within AEG in recent years, as it has reinforced its divisional structure. "Don't do things in two places," is a guiding principle for Gissel.

Yet he clearly detects reluctance within parts of Daimler to bite this bullet, and even a tendency to replicate existing expertise by re-creating it in Stuttgart.

Where expertise already exists in the group, Daimler should rely on its partners instead of creating new co-ordinating bodies above them, he suggests. He understands Stuttgart's tendency *to create bureaucracy in order to* learn about the new industries and technologies in which it finds itself, but he feels that "steering committees, with board members on them, are only necessary if things don't work."

Where additional capabilities need to be developed for new programmes, as in some of the technology "synergy projects", co-ordination from Stuttgart is of course needed, says Gissel. But elsewhere he wants the "centre of excellence" concept introduced, with a single centre leading the work of satellite units elsewhere in the group.

This principle has been accepted, he says, but it has yet to be put into practice.

Despite the frustrations it may cause Gissel and others in the meantime, this issue will probably only become acute over the next 18 months or so, as Daimler and its new subsidiaries start to confront the more difficult aspects of who should do what, and where, inside their sprawling empire.

So far everyone agrees that such demarcation has been easier than they expected. "We have found to our surprise that there are only limited conflicts," says Jörg Seizer, a director who organises the work of the board's structure and synergy committee.

But he admits that the committee has yet to approve the strategies of several of the group's key operations. Deciding their structures will be thornier still, even if Daimler succeeds in its current bid to buy out the minority shareholders in AEG.

It is on these issues that Daimler's *ability to manage its contro*versial diversification will be given its first real test. But even if it can resolve them without bloodshed, it will still find it hard over the longer term to create and sustain synergies across such a broad spectrum of technologies, industries and markets.

Daimler is not trying to do everything in-house, as Rudolf Hörnig stresses. But this virtual novice at diversification has certainly bitten off quite a mouthful. It will be too much for Daimler to digest unless the chairman can discover a new recipe for the pain-free management of a conglomerate.

A final article on Daimler's takeovers will be published on April 25.

DAIMLER-BENZ'S "Traffonic" research programme into new transport, communication and control techniques is broken into 16 sub-projects, with the division of labour between Daimler, AEG, Dornier and MTU agreed in fine detail for each.

Significantly, the calculations take account of an estimated reduction of 30 per cent in total man-hours from what would have been required if the partners had been collaborating as independent companies, with overlapping efforts on various parts of the programme.

The estimated cost, of several hundred million Deutsche Marks, is shared according to a complex formula, with the majority being provided from group resources, rather than from individual companies. "Otherwise everyone would have an endless discussion," says Dr Rudolf Hoernig, Daimler's research and technology director.

Management of the project is in the hands of a seven-person project team drawn from all of the companies (three from Daimler, two from Dornier, and one each from AEG and MTU); its spokesman is one of the Daimler representatives. In addition to being steered by a committee of senior executives, its progress is vetted at intervals by the board-level "structure and synergy committee" (see main article).

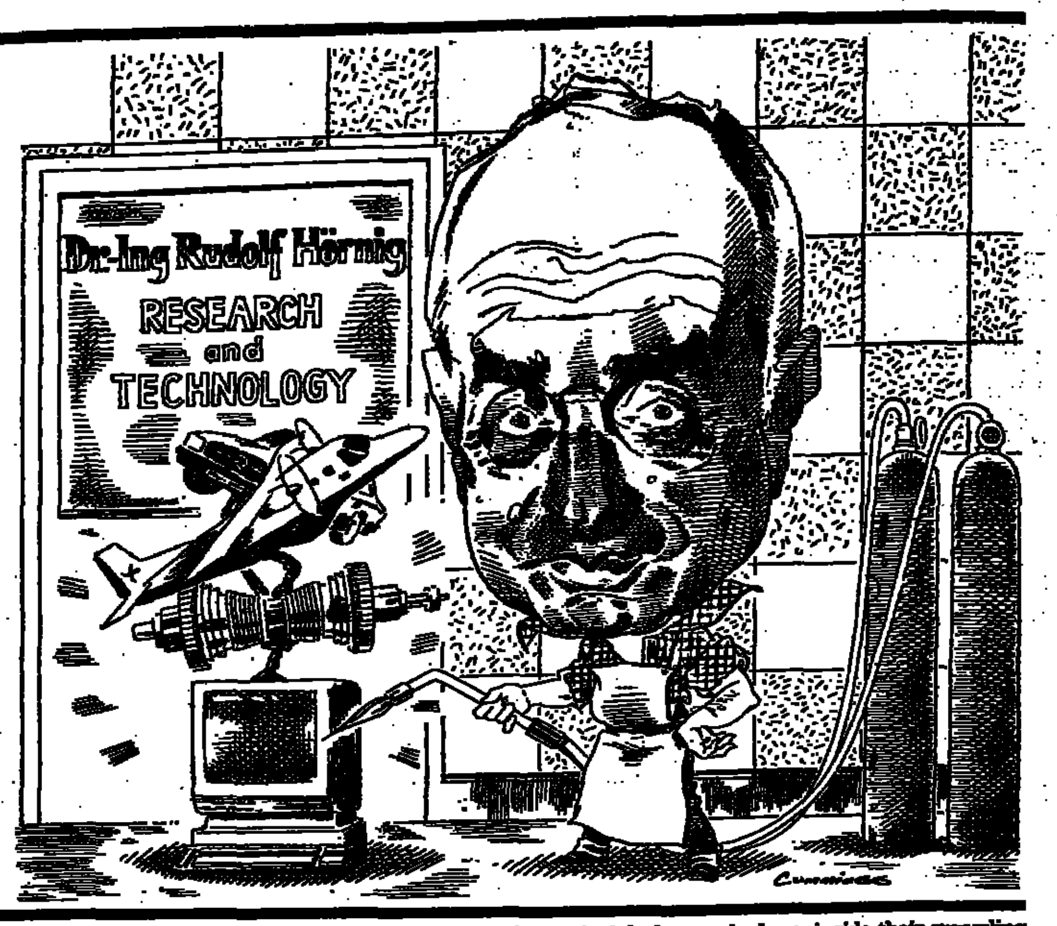
Roughly the same pattern has been followed for the five other technology "synergy projects" which are already under way.

One of the biggest of these is a programme to develop the group's strengths in a number of links in the "energy chain" (generation from various sources, storage, and use on road, rail, water and in the air). This brings together, for instance, Daimler's expertise in hydrogen-powered vehicles, AEG's in power station and solar cell technology, MTU's in industrial motors and gas turbines, and Dornier's in nuclear-powered high-temperature fuel cells and electrolysis systems for converting fuel directly into electricity.

The other current synergy projects cover electric traction; materials; medical technology; and "microperipherals" for in-car data processing (such as monitors and electronic actuators).

Together with their respective sub-projects, most of these cover a period of five to 10 years, though one Daimler-Dornier *programme for the development of satel*lite communications between motor vehicles and stationary transmitter-receivers has only a three-year span.

Several more projects are in preparation, covering such areas as materials surfacing technologies and plastics, as well as automated production technology; here the group has especially high hopes for synergy between AEG's software, hardware and controls, Dornier's robots and unmanned vehicles, and Daimler's know-how as a major user.



APPOINTMENTS

Chairman of Chartered Trust

Mr Ian Paterson, a senior general manager at Standard Chartered Bank, is to become non-executive chairman of CHARTERED TRUST on April 28 following the retirement of Sir Idwal Pugh, *writes Tony Moreton, Welsh Correspondent.*

Chartered Trust, the Cardiff-based financial services company that is a fully-owned subsidiary of Standard Chartered, employs nearly 1,000 people in Wales, some three quarters of them in the Welsh capital.

Mr John Hodell, executive managing director of Chartered Trust, is also retiring at the same time on his appointment as chairman of the Finance Houses Association. He becomes a deputy chairman of Chartered, whose managing director is to be Mr Anthony Webb, at present deputy managing director.

★

HOWDEN GROUP has appointed Mr Seamus Lyons as director and general manager of Howden Aircontrol, and Mr Barry Peat as director and general manager of Airscrew Howden.

★

Sir Ian Morrow, a director of Hambros, the Laird Group and Psion, has been appointed chairman of GISBURNE PARK, a private hospital near Clitheroe.

★

Mr Iain Allan Cooper Wright has been elected president of THE SOCIETY OF ENGINEERS for 1988/89.

★

Dr Christopher Gill becomes director of the TIMBER RESEARCH AND DEVELOPMENT ASSOCIATION in July on the retirement of Mr John Sunley. Dr Gill was deputy director, research and development.

★

Sir Colin Marshall, chief executive of British Airways, and Mr David Tagg, chief executive of Grand Met's group services, will join the main board of GRAND METROPOLITAN on May 1. Sir Colin will be a non-executive director.

★

Mr David Brooke, a director of S.G. WARBURG GROUP, and deputy chairman of Warburg Securities, has been appointed president of S.G. Warburg (U.S.A.). He will move to New York. Mr Nicolaas Millward, a managing director of S.G. Warburg & Co.Inc., has been appointed chief operating officer of S.G. Warburg (U.S.A.) Inc., and will continue as chairman of the U.S. management committee.

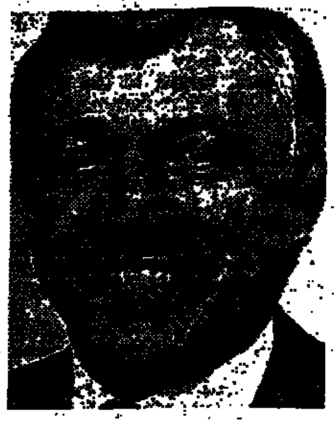
★

Mr John King has been appointed chief executive of the PORTSMOUTH BUILDING SOCIETY. He was general manager (operations).

Mr Stuart Simpson (London) has been appointed a director of CHARTERHOUSE DEVELOPMENT CAPITAL. He was an assistant director. Mr Craig Williamson (Edinburgh), an investment manager, has been promoted to assistant director. Mr Simon Drury and Mr Duncan Aldred have joined as managers.

★

At BACON & WOODROW, consulting actuaries, Mr Andrew B. English, Mr Gordon Justham, Mr Keith D. Lelliott, and Mr Martin G. Sturmey, become partners on May 1. Mr Alan K.M. Lion will be joining on June 1 as the partner responsible for pension fund administration services. He was managing director of Co-Cam Computer Services.



MR JOHN HOULISTON

Following completion of its acquisition of ROSS YOUNG'S from Hanson, United Biscuits has appointed Mr John Houliston as managing director of Ross Young's. He was managing director of the retail division. Mr Houliston will be a member of the working party formed by United Biscuits to oversee the integration of Ross Young's with the UB Frozen Foods operation.

★

Mr John R. Stanton has been appointed to the board of WATES SPECIAL WORKS. He was chief surveyor.

★

Following completion of the merger of Systems Designers and Scicon Corporation to form SD-SCICON, the following have been appointed to the board: Mr Warren Werblow, Mr Christopher Tendell and Mr Andre Rouet. Mr Robin Gill has been appointed a non-executive director. He is a director of Hewlett Packard.

★

Mr Jim Chester has been appointed regional general manager, UK, with NATIONAL WESTMINSTER BANK's international banking division. Previously West End (west) area director, he succeeds Mr Ivan Powell who has retired.

★

Mr David Mutteen has been appointed commercial director of WESTERN PROVIDENT ASSOCIATION.

★

Dr David Huber has been appointed personnel director to head the combined personnel functions of Safeway and Presto, subsidiaries of ARGYLL FOODS. He was a senior personnel director with the Burton group.

★

Mr Alan Brooker has joined the board of PLYSU as a non-executive director. He was chairman and chief executive of Extel Group.

★

Mr Peter Thomas has been appointed manufacturing director of W.J. GOODWIN AND SON, a subsidiary of Yale Security Products, part of the Valor group.

★

CANTOR FITZGERALD (U.K.) has appointed Mr Alex Gelleri as director, US Government division; Mr Ashley Power as director, Eurobonds division; and Mr John Kiddy, as director and chief financial officer.

★

Following the acquisition of Hadley Cannon (holdings) by DUKE INSURANCE HOLDINGS, Mr Denis B. Bailey has been appointed chairman of the marine division of Hadley Cannon (International); Mr Andrew P. Harding, managing director designate; Mr Simon J. Lasher, deputy managing director; and Mr Graham Hambly, a director designate. Mr Nick Shingles has become managing director of the UK commercial division, and Mr Niall J. Byrne a director of the diplomats division. Mr Ken E. Noble has been appointed managing director of Hadley Cannon (Claims Agency), and Mr Peter J. Siddle becomes a director. Mr Stanley Rose has been appointed a director designate of Hadley Cannon Consultants. Mr Maurice C. Webb becomes managing director of Hadley Cannon's specialist life and pensions company.

★

LONDON SCOTTISH BANK has appointed Mr Bill Dupont as group sales director; Mr Joe Grimes as director of DP services; and Mr Stan Kenyon as operations director. Mr Brian Holmes has been appointed a non-executive director. He was a director and chief executive of National and Provincial Building Society.

★

Mr C.M. Wiscarson, responsible for the sales force, has been appointed to the boards of SAVE & PROSPER GROUP and Save & Prosper Insurance.

CONTRACTS

Tilbury wins £30m work

The TILBURY GROUP has been awarded over £30m contracts during the last two months.

Since the turn of the year Tilbury Construction has been awarded £18m worth of contracts. Building projects account for over £7m and include £2m for 24 industrial units at Upminster for Bartlett Land Co and Laidlaw in the private sector, two housing contracts totalling £2.6m for Hart and Carrick District Councils respectively, and over £2m of other public building projects including one project valued at £1.6m for the Properties Services Agency.

Of the civil engineering awards £5.7m relate to water works for Wessex, Thames, Anglian, Southern and Bristol Authorities and include reservoir projects totalling £2.2m at Oldmixon, Goodshill, Pill Weinelham; Ramsey and Stanton, a major pumping station and storage tanks, in excess of £1.1m at Gordano, Avon, sewage treatment works worth £1.1m and £700,0000 at Crewkerne and East Coker respectively, and River Cray improvement worth £600,000. The London Borough of Southwark has awarded an anchored sheet piled wall at Durands Wharf, worth over £500,0000, including contractor's design. The London Dockland Development Corporation has ordered a major refurbishment to Royal Albert Dock for £1.1m.

Of the remaining contracts over £1.5m was awarded in the public sector and included in excess of £1.2m for various other PSA projects.

Tilbury (City) has been awarded a contract by The Stock Exchange, London, for work in the reception area and associated electrical work in the main entrance concourse. Another contract, value £568,000, was awarded by the London Borough of Hounslow to refurbish and modernise seven properties into seven flats and seven maisonettes. A contract worth £463,000 was awarded in Sinnot Road for the London Borough of Waltham Forest for mechanical and electrical work to 110 houses.

Westpile has been awarded contracts worth £6m. They include two contracts for Shell UK at Stanlow, valued at £1.9m, for CFA piling; a Shell piling contract for £1.3m, for the piling of embankment support rafts and retaining walls on the A55 at Llanfairfechan. Westpile undertook a £4.5m contract on an earlier section of this road at Colwyn Bay. Another contract, worth £150,000, was received for the design and construction of foundations to offices and warehouses, using its Hardrive precast piling system, at Weston-Super-Mare.

United Kingdom Construction and Engineering Co has been awarded a contract for £1.3m by Shell UK Oil for 28 pre-assembled modules to be delivered to various Shell terminals throughout the UK. A contract was also awarded for a £2.6m hydrocracker rehabilitation scheme for BP Oil at Grangemouth. A project valued at £1.2m has been awarded by British Sugar for the supply, fabrication and installation of pipework in upgrading the Ipswich factory. Caledonian Paper has awarded UKC a £4m contract for 50,000 metres of stainless steel pipework at a new paper mill plant at Irvine in Ayrshire.

Far East construction orders

URS INTERNATIONAL INC has won a US $2.25m (£1.25m) five-year contract for construction supervision consulting services to the Department of Public Works and Highways of the Philippines.

The contract is for services for the Fourth Road Improvement Project, which is being funded by the Asian Development Bank. The scheme involves improving 715 km of roads on the islands of Cebu, Negros and Mindanao.

URSI will review detailed designs prepared by Philippine consultants and provide engineering supervision from the pre-construction stage through post-construction for 11 contract packages.

A project management contract has also been received for the renovation and construction of health care and university facilities in China.

Placed by the Fudan Foundation and the American Hospital in Shanghai Foundation, the contract will be carried out in association with Gammon (Hong Kong), a company partially owned by Trafalgar House.

The Foundations' initial priority is to modernise and upgrade facilities in order to commence new academic programmes and expand existing programmes as soon as possible. Construction of a major teaching hospital and university facilities will follow.

The Foundations are working in collaboration with officials at the Shanghai Municipal Health Bureau and Fudan University.

US shoppers take control of the checkout

Clive Cookson reports on a system that gives a new meaning to self-service in the supermarket

SUPERMARKETS in the US are testing a new do-it-yourself checkout system which comes close to the ultimate in self-service shopping: the customer passes his or her own trolley load of groceries over a laser scanner which produces a computerised bill.

At present the shopper has to take the bill to a cashier for payment, but the system could be adapted in future to incorporate automatic payment with an electronic card. It would then be possible to buy all one's groceries without any human contact.

Self-checkout machines made by CheckRobot, based in Florida, have been operating successfully for 18 months in two Kroger supermarkets near Atlanta. They are arousing growing interest in the international retailing industry and in the past few months senior executives from several European chains, including Sainsbury and Tesco in the UK, have studied the CheckRobot system in action.

Kroger is the largest US supermarket chain and if it decides to introduce self-checkouts in some of its other stores, competitors are almost certain to follow suit. Paul Bernish, a spokesman at Kroger's Cincinnati headquarters, says the company will probably decide this summer whether or not to buy more CheckRobot systems.

Any expansion of self-scanning is likely to be gradual, one or two supermarkets at a time, Bernish says. "Our industry is conservative and evolutionary in the area of store operations. We're not interested in forcing things on our customers."

For competitive reasons Kroger does not want to disclose the full results of its Atlanta trials, but Bernish says customer reaction has been mixed. Surveys show that about 25 per cent of the shoppers positively prefer to scan their own purchases. They feel more "in control" than when a cashier does the work and more confident that mistakes are not being made. Many younger customers enjoy the process of passing groceries over the scanner and watching an account of each item, its price and the total amount purchased so far flash up on the system's video screen.

Another 25 per cent of customers have the opposite reaction. Their reasons for not wanting to do the scanning include fear of the technology and desire for more human contact. Kroger makes sure that at least one lane is always manned to cater for these customers.

The remaining 50 per cent have no strong feelings either way about the process itself. They are prepared to check out their own purchases in order to avoid queues and save time. One of the great advantages of self-scanning lanes is that they can always be used. Supermarkets normally close many of their manned checkouts during off-peak periods when few staff are on duty, and irritating queues may build up at the ones that remain open. Apart from the two Kroger trials, the only CheckRobot system in active service is at the US Naval Commissary (supermarket) in Pensacola, Florida. The Shop-Rite chain in New Jersey plans to install a system later this year, and CheckRobot says several other US and foreign supermarket chains are considering possible trials.

The company president, Len Barbato, has been impressed by the "phenomenal level of interest from Europe." He says most of the leading European supermarket groups and manufacturers of checkout equipment have seen CheckRobot in action.

Visitors expressing serious interest include Tesco of the UK and Nixdorf, the West German company that is supplying Tesco with £50m worth of checkout scanners and computers. Neither Tesco nor Nixdorf was willing to discuss CheckRobot; Tesco spokesman Michael Newman would say only: "We're always interested in new ideas, and this is one of many we have looked at."

The CheckRobot system costs about $30,000 per lane – twice as much as a conventional manned scanning lane – and the high price seems to be the main reason why no supermarket chain has yet decided to introduce self-scanning on a large scale. But Len Barbato claims that supermarkets can make an excellent return on their investment in the system, because it speeds up the flow of shoppers through their checkouts and reduces by two-thirds the number of cashiers required.

Barbato points out that in many parts of the US "there is a growing shortage in the supply of labour for checkout clerks and baggers, and supermarkets generally experience high levels of employee absenteeism and turnover."

Demographic projections show that the number of young people entering the US labour market will fall gradually for the next few years. Paul Bernish of Kroger says supermarkets will not be able to recruit enough staff and will have to ask their customers to do more work themselves.

Jeremy Grindle, the director responsible for introducing new supermarket technology at Sainsbury's chain in the UK, looked at the CheckRobot system on a visit to the US earlier this year. "I was very impressed by the thoroughness with which it had been approached and the efficiency with which it was working," he says. "But I doubt whether it will be cost-effective in a British supermarket for some considerable time."

Grindle believes CheckRobot may be more appropriate for the relatively relaxed and spacious atmosphere of a typical US supermarket than for a UK supermarket where the pace is faster and the sales density much higher.

But Don Jackson, a retail industry consultant with ICL, the leading UK computer company, thinks that the whole idea of self-scanning is irrelevant to the future development of the supermarket industry. "People are looking for more personal service now," he says. "They will not be prepared to see another level of service disappear unless it gives them an enormous price advantage."

Jackson and some other analysts believe the next significant advance in checkout technology will be a system that scans the groceries while they are still in the supermarket trolley – and therefore removes the present chore of unloading everything for scanning and then packing it all up again.

No company has said that it is close to testing a whole-trolley scanner and it is not clear how such a system could work without being prohibitively expensive.

One possibility, which might be developed from current shop security systems, is that the trolley would be pushed through an electromagnetic field (perhaps inside a tunnel). This would generate radio signals from an inexpensive tag attached to each item, which would transmit its individual product code to the checkout computer.

How CheckRobot costs what is in the trolley

THE MOST important parts of the CheckRobot system are the laser scanner, the touch-sensitive video monitor, and the security zone designed to detect cheating.

The shopper starts by touching the video screen. A computer graphics program on the screen then guides him through the process step by step. It tells him first to locate the bar code on each item and move this over the scanning window, just as the cashier does in a conventional supermarket equipped with checkout scanners.

The scanner's low-power laser beam is designed to "read" the bar code regardless of the angle and direction at which goods are moved across the window. But on an estimated 3 per cent of items the code cannot be read, because the label is badly printed or damaged. When that happens the shopper can summon assistance by touching the Help spot on the screen.

As the customer scans an item the system calls up its price and identifying information from the supermarket computer. This is displayed on the video screen with a running total of the transaction so far. At the same time an itemised bill is printed.

The system also has a speech synthesiser which calls out the price as each item is scanned, though a shopper who is irritated by the computer voice can cancel it by touching a button. The voice can be programmed to speak in English or a second language (Spanish is likely to be a popular choice in parts of the US with large numbers of Latin American immigrants).

After scanning, the customer puts each item on a conveyor belt which takes it through the CheckRobot security zone – the system's most innovative feature. It travels through two metal archways containing sensors which measure its approximate size, shape and weight. The computer then compares these dimensions with those of the product that has just been scanned.

If the sensors show that the item has not been scanned, the belt changes direction and brings it back to the shopper, who can try again or call for help.

CheckRobot says the system will detect any attempt to deceive it by scanning a cheap product and putting something more expensive on the belt.

After travelling through the security zone the shopping ends up at a "bagging station" where the customer or a store employee packs it into bags. (The Kroger stores make sure this is done by their staff, because bagging is traditionally part of the service in a US supermarket – and it helps to deter potential shoplifters.)

Finally the shopper takes the printed sales slip for payment to a central cashier. A typical supermarket will require one cashier for every three self-scanning lanes.

During peak periods the self-scanning lanes can be operated by supermarket staff. CheckRobot claims that the system is then 40 per cent faster than scanning in conventional lanes, because the checkout staff are concentrating on scanning and leaving the cashiers to handle payments.

WORTH WATCHING

Edited by Geoffrey Charlish

Raychem makes easy co-axial connections

CO-AXIAL CABLES that are shielded by an outer layer of braiding pose the problem that this must be neatly and effectively connected to the outer cylindrical member of the plug to which the cable has to be assembled.

A quick, easy and electrically sound connection method using "shape memory metal" has been devised by Raychem, the US-based materials and components company.

Shape memory metals have a special characteristic. If they are mechanically deformed while below a specific temperature, they will, when warmed, return to the shape they had before deformation.

A ring of such material, held below the critical temperature and forced to a larger diameter, can be sized just to slide over a rod, for example. When heated, it will grip the rod. But then when it cools, it does not return to the larger diameter but "remembers" its original manufactured diameter.

Raychem can supply such rings, made to appropriate sizes from a nickel-titanium alloy called Tinel. The installation sequence simply involves sliding the Tinel lock ring over the assembled braiding and heating it to 150 deg C. It then forms a permanent connection between the co-axial cable and the plug.

VW-Audi switchboard takes direct action

TELEPHONE OPERATORS on a company's exchange can deal more quickly with incoming calls by using a screen and keyboard system from UK company Callscan. The first of these systems has been installed at the Milton Keynes headquarters of Volkswagen-Audi.

Instead of finding extension numbers by looking up names in printed directories, the operator uses an automatic telephone directory based on a central processor and one or more screen and keyboard terminals. Only the first two initials of a surname need be keyed in to obtain a display of the relevant section of the directory.

The system will also display other data that callers often ask for, like the numbers of company branches, conference rooms and medical departments.

Volkswagen-Audi also plans to use the system as a visitors' book, recording names and other details, and logging visitors in and out of the building. The basic price of the system is £5,900.

Sandia develops nose for gas detection

ONE OR more members of specific groups of gases can be detected by an "artificial nose" that is under development at the Sandia National Laboratories in the US.

The device, no bigger than the average size of an eraser, consists of six semiconductor components (diodes) etched into a silicon wafer by normal fabrication techniques (making for low cost in volume production). Each diode has a very thin covering of a catalytic metal (palladium, gold, silver, for example), which in the presence of a specific gas causes the diode to pass an electrical current.

By monitoring the current in the diodes and measuring the amount and timing of any changes, it is possible to determine when particular gases came into the environment and in what relative quantities.

Sandia engineers believe variations of the sensor, which at the moment works with gases based on hydrogen, will interest the petrochemical industry. Such sensors could, for example, be used to detect leaks.

Charterhouse seconds British inventiveness

CHARTERHOUSE, part of the Royal Bank of Scotland group in the UK, has launched Charterhouse Second Venture Fund. It aims to raise £40m for investment in technology-based unquoted companies in the UK.

The fund will be particularly interested in investing in health care, biosciences, environmental management, new materials applications, instrumentation and control, and hardware and software for information technology.

CONTACTS: Raychem: UK plant, 0793 28171. Callscan: UK, 021 631 4161. Sandia National Laboratories: US, (505) 844 8065. Charterhouse: London, 409 3232.

Gold mining companies administered by Anglo American Corporation

All companies are incorporated in the Republic of South Africa

Transvaal

Reports of the directors for the quarter ended March 31 1988

WESTERN DEEP LEVELS

Western Deep Levels Limited
Registration No. 57/02549/06
ISSUED CAPITAL: 27 194 116 ordinary shares of R2 each
19 988 B ordinary shares of R2 each

	Quarter ended Mar. 1988	Quarter ended Dec. 1987	Year ended Dec. 1987
OPERATING RESULTS			
Gold			
Area mined—m² 000	217	179	747
Tons milled 000—reef	1 046	880	3 492
—waste	535	680	2 334
—total	1 581	1 520	5 826
Yield—g/t—reef	7.91	8.89	8.65
—waste	1.04	1.20	1.53
—average	5.59	5.44	5.80
Production—kg	8 836	8 287	34 293
Cost—R/m² mined	765.45	874.99	748.61
—R/ton milled	105.06	103.04	95.99
—R/kg produced	18 796	18 946	16 305
PRICE RECEIVED ON SALES			
Gold—R/kg	29 885	30 151	28 949
—$/oz	458	471	442
FINANCIAL RESULTS	R million	R million	R million
Turnover	263.1	272.7	1 089.2
Gold—revenue	262.6	251.4	1 000.4
—costs	166.1	156.6	559.2
—profit	96.5	94.8	441.2
Uranium oxide profit	(0.1)	8.8	37.3
Net sundry income	4.0	0.8	16.5
Profit before taxation	100.4	104.4	495.0
Provision for taxation	21.4	18.3	153.2
Profit after taxation	79.0	86.1	341.8
Appropriation for capital expenditure	52.4	59.1	206.7
Profit available	26.6	27.0	135.1
Dividend—interim			79.1
—final			57.2
Transfer from reserve			1.2
Earnings per share—cents	98	90	426
Capital expenditure—R000	52.4	57.8	209.6

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Quarter ended March 1988							
Ventersdorp Contact reef	5 489	78	28.4	68.73	1 899	—	—
Carbon Leader reef	8 160	—	—	—	—	—	—

URANIUM OXIDE PROFIT
The lower profit from this source reflects the re-scheduling of delivery against long-term contracts effected in the previous year.

DIVIDEND
The final dividend of 210 cents a share in respect of the year ended December 31 1987 was declared on January 21 1988, payable to members registered on February 5 1988 and was paid on March 11 1988.

CAPITAL EXPENDITURE COMMITMENTS
[illegible]

SHARE OPTIONS 1988 — 1989
[illegible]

For and on behalf of the board
E. P. GUSH
T. L. PRETORIUS } Directors

April 22 1988

ERGO

East Rand Gold and Uranium Company Limited
Registration No. 71/07021/06

[illegible]

April 22 1988

S.A. LAND

The South African Land & Exploration Company Limited

[illegible]

April 22 1988

ELANDSRAND

Elandsrand Gold Mining Company Limited

[illegible]

April 22 1988

VAAL REEFS

Vaal Reefs Exploration and Mining Company Limited

	Quarter ended Mar. 1988	Quarter ended Dec. 1987	Year ended Dec. 1987
Dividend from Southvaal Holdings Limited:			
—interim declared July 1987	—	—	23.4
—final declared January 1988	—	20.1	20.1
	278.5	291.1	1 435.9
Royalties to:			
—Southvaal Holdings Limited	60.9	75.1	341.7
—The Afrikander Lease Limited	0.1	(0.1)	0.6
Profit before taxation	216.7	289.1	1 093.6
Provision for taxation	84.9	107.3	492.4
Profit after taxation	126.8	148.8	601.2

VAAL REEFS—continued

[illegible]

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at March 31 1988 totalled R101 884 000.

For and on behalf of the board
E. P. GUSH
T. L. PRETORIUS } Directors

April 22 1988

SOUTHVAAL HOLDINGS LIMITED
Registration No. 68/11806/06

THE AFRIKANDER LEASE LIMITED
Registration No. 01/06955/06

The attention of shareholders of these companies is directed to the report of Vaal Reefs Exploration and Mining Company Limited. The Free State Consolidated Gold Mines Limited quarterly results appear on another page in this newspaper.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

NOTE
1. DEVELOPMENT
Development values represent actual results of sampling, no allowances having been made for adjustments necessary in *estimating ore reserves.*
2. ANGLO AMERICAN GROUP EMPLOYEE SHAREHOLDER SCHEME
The process of offering shares to employees in terms of the Scheme is underway and shareholders will be advised of the outcome once finality has been reached.

LONDON OFFICES: 40 HOLBORN VIADUCT, EC1P 1AJ

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
22	23	24	25	26	27	28

Opera and Ballet

LONDON

Royal Opera (Covent Garden). Peter Hall returns to Covent Garden as producer of the eagerly awaited new Salome, conducted by Christoph von Dohnanyi, with Maria Ewing in the title role, Robert Hale, Robert Tear, and Helga Dernesch. The revival of the ancient, threadbare Zeffirelli production of Lucia di Lammermoor serves for the first London showings in the title role of Edita Gruberova. John Pritchard conducts, and the cast also includes Luis Lima, Wolfgang Brendel, and Giorgio Surjan. (240 1066)

English National Opera (Coliseum). Nicholas Hytner's new production of The Magic Flute is conducted by Ivan Fischer, and has Thomas Randle, Helen Field, John Rawnsley, and Gwynne Howell in the principal roles. The other Mozart opera in repertory is Cosi fan tutte, with Felicity Lott and Della Jones as the sisters and Maldwyn Davies and Russell Smythe as their loves. Janàček's Makropulos Case sees Josephine Barstow returning to one of her most celebrated roles as the three-centuries-old heroine. (836 3161)

Royal Opera House (Covent Garden). Royal Ballet in Swan Lake

Northern Ballet Theatre (Sadler's Wells). A London season starts with a triple bill containing its L.S. Lowry ballet, A Simple Man. Strictly for Lowry devotees.

VIENNA

State Opera and Ballet (Staatsoper). Conducted by Casper Richter. Janàček, Haydn and Berg; La Traviata; Werther conducted by Guingal. with Alfredo Kraus, Hans Helm, Peter Wimberger (51444, ext. 2959 or 2960.)

Volksoper. Die Lustige Witwe; Der Opernball by Heuberger. (51444. ext 3318/3319.)

TOKYO

Sadlers Wells Royal Ballet (Tokyo Bunka Kaikan). Swan Lake. (Thur). (468 5060).

NEW YORK

American Ballet Theatre (Lincoln Center Opera House). Spring season highlights include the world premier of Mark Morris's Drink to Me Only With Thine Eyes, set to Virgil Thompson's score and Santo Loquesto's set, along with the new productions of Gaite Parisienne choreographed by Leonide Massine and Raymonda choreographed by Mikhail Baryshnikov after Pepita. (362 6000). Ends June 11.

PARIS

Philippe Decoufle (Théatre de la Ville). Influenced by primitive and folklore dancing, is followed by Carolyn Carlson in an expressionist ballet for nine dancers to the music of Joakim Kuehn at the (42 74 22 77).

Mauricio Kagel (TMP-Chatelet). Repertory from the 1970 scenic concert to his own music. (42 33 44 44).

Goetterdämmerung (Théatre des Champs Elysées) The end of the dynamic Daniel Mesguich production of Der Ring des Nibelungen conducted by Berislav Klobucar. (47 20 36 37).

La Conjuration (Opera Comique). Ballet written by the poet Rene Char and Choreographed by Wilfride Piollet and Jean Guizerix. (47 42 57 50).

Contemporary Dance Theatre and Centre Georges Pompidou are showing La Compagnie Contre-Jour followed by Larsen Cie at Beaubourg (42 77 12 33).

WEST GERMANY

Berlin, Deutsche Oper. Ariadne auf Naxos has fine interpretations by Ute Walter, Anna Tomowa-Sintow, James King and Barry McDaniel. Der Rosenkavalier stars Anna Tomowa-Sintow, Ute Walter, Helmut Berger-Tuna and Tomislav Neralic. Manon Lescaut has a strong cast led by Pilar Lorengar, George Fortune and Giorgio Merighi. Fidelio in Jean Pierre-Ponnelle's production features Lisbeth Balslev, Barbara Vogel, Gerd Feldhoff and Gerd Brenneis. Also offered The Magic Flute and Schwanesee danced in the title roles by Eva Evdokimova and Vladimir Gelvin. (34381).

Hamburg, Staatsoper. Il Trovatore with Sharon Sweet, Natalia Troitskaya and Juan Lloveras will be conducted by Stefan Soltez. John Neumeier's ballet production Dornroschen returns. (351151).

Frankfurt, Opera. Don Giovanni, in a concert version, with Sue Patchell, and Benjamin Luxon. Tosca brings Galina Savova, Ingvar Wixell and Nicola Martinucci together. (25621).

Frankfurt, Alte Oper. Elektra, in Herbert Wernicke's production, features Olivia Stapp in the title role, Anny Schlemm, Helena Doese, William Cochran and John Brocheler, conducted by Richard Armstrong.

Cologne, Opera. Cosi Fan tutte is a well done repertoire performance with Margaret Marshall, Andrea Andonian, Teresa Ringholz and Claudio Nicolai. Rigoletto has Wassili Janolako outstanding in the title role, Carmen convinces thanks to Victoria Vergara, Guiliano Ciannella, Harald Stamm and Teresa Ringholz. (20761).

Stuttgart, Württembergisches Staatstheater. Fidelio in Yuri Ljubimov's production. Tosca has Awilda Verdejo in the title role. Also in the repertory: Madame Butterfly and Die Entfuhrung aus dem Serail. (20321).

Munich, Bayerische Staatsoper. Tannhäuser stars Nadine Secunde, Eva Randova, Spas Wenkoff and Martti Salminen. The Magic Flute has a strong cast with Edith Mathis, Martti Salminen. The Magic Flute has a strong cast with Edith Mathis, Martti Salminen and Claes A. Ansjo.

Also the Leningrad Kirov Ballet. (21551).

ITALY

Milan, Teatro Alla Scala. Donizetti's L'Elisir d'Amore directed by Andre'é Ruth Schamman (the first woman director here for 30 years), with scenery by Giorgio Cristini and costumes by Jacques Schmidt. Luciano Pavarotti sings Nemorini Giuseppe Parane conducts. (80 91 26).

Milan: Teatro Nuovo. Five Tangos (music by Astor Piazzolla and Choreography by Hans van Manen), Pas de Deux, danced by Luciana Savignano, and Bolero in Maurice Bejart's choreography to Ravel. (41 82 66).

Rome, Teatro. Bussotti's Fedra, based on Racine's tragedy, and produced and designed by the composter, with Halina Moretti, Eleonora Jankovic and Aurio Tomicic, conducted by Jan Latham Koenig. (46 17 55).

Turin, Teatro Regio. Tucia Valentina Terrani sings authoritatively but over-acts in Bizet's Carmen (sung in French), produced by cinema director Claude d'Anna and conducted by Serge Bando. Helga Muller Molinari alternates with Lucia Valentina Terrani in the title role, with Veriano Luchetti, Mietta Sighele and Giorgio Zancanaro. (548.000).

Bologna, Teatro Comunale. Ruggero Raimondi in Don Carlo. A new production by Andrej Serban designed by Yannis Kokkos (in collaboration with the Grand Theatre in Geneva) conducted by Myung-Whun Chung. Also Francesco Cilea's Adriana Lecouvreur conducted by Roberto Abbado, with Mirella Freni and Peter Dvorsky. (529 999).

Theatre

LONDON

The Common Pursuit (Phoenix Theatre). Second London chance for flawed Simon Gray comedy about Cambridge graduates in love and publishing. Author directs good young cast of post-Python comedians including Rik Mayall and Stephen Fry. (836 2294, CC 240 9661)

Easy Virtue (Garrick Theatre). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing. (379 6107)

Bloody Poetry (Royal Court Theatre). Howard Brenton season inaugurated with this fine play about Byron and Shelley, a fierce meditation on the unloved artist in exile. Sian Thomas a notable Mary Shelley. Max Stafford-Clark directs. (730 1745)

A Touch of the Poet (Comedy Theatre). Vanessa Redgrave and Timothy Dalton in prolix but fascinating O'Neill play set in the aftermath of the European republican upheavals. Dalton is Con Melody, a Byronic wreck pipe-dreaming in the bar, Redgrave his loyal but defeated spouse. A collector's item. (930 2578, CC 839 1438).

South Pacific (Prince of Wales Theatre). Average, traditional revival of the great Rodgers and Hammerstein musical, Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair.

Shirley Valentine (Vandeville Theatre). Pauline Collins in fine and funny monodrama by Willy Russell of liberation for a Liverpool housewife on Corfu. Shades of Ibsen's Nora and Beckett's Winnie, with jokes. (836 9987, CC 379 4444). Ends April 30.

The Phantom of the Opera (Her Majesty's Theatre). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244, CC379 6131/240 7200).

Follies (Shaftesbury Theatre). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Serious Money (Wyndham's Theatre). Transfer from Royal Court of Caryl Churchill's slick City of London comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. (836 3028, CC 379 6565). Ends April 30.

Back with a Vengeance (Strand Theatre). Barry Humphries, indisputably the outstanding vaudevillian of the age, has extended his triumphant London season to July 9. Dame Edna Everage has now earned full immunity to good taste, while the bibulous diplomat Sir Les Patterson touches new heights of degradation. (836 2660/4143)

Hapgood (Aldwych Theatre). New Tom Stoppard mixes espionage, romance and higher physics in a splendidly taut and clever entertainment. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support. Double meanings and double identities abound. (836 6404, CC 379 6233).

NEW YORK

Fences (46th Street Theatre). August Wilson hit a home-run, this year's Pulitzer Prize, with the powerful tale of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221 1211).

Cats (Winter Garden Theatre). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert Theatre). The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Les Misérables (Broadway Theatre). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Me and My Girl (Marquis Theatre). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Eisenhower Theatre). Lily Tomlin repeats her Tony-award winning solo performance of the crazy people who inhabit her funny and strange imagination. One major segment explores the women's movement over the past decade. Ends June 26. (254 3670)

The Mystery of Edwin Drood (Kennedy Centre Opera House Theatre). The Broadway hit musical based on Dickens' unfinished novel features the music of Rupert Holmes for which the pop composer won a Tony. Ends May 1. (254 3770).

TOKYO

The Wars of the Roses (Tokyo Globe Theatre, Shin-Okubo). The English Shakespeare Company opens Tokyo's newest theatre with Michael Bogdanov's lively and inventive production of Shakespeare's English history plays. The theatre was designed by RIBA gold medallist, Arata Isozaki, as a witty pastiche – pink outside and various shades of grey inside – of the Elizabethan original. A bare stage throws the focus onto the actors and onto costumes that range from medieval through Victorian to punk. Barry Stanton's fine Falstaff in Henry IV is an excellent foil to Michael Pennington's angular Prince Hal. In English. Six plays in repertory. (343 4751).

Hanshin (Theatre Apple, Shinjuku). A recent survey indicated that Yume no Yuminsha is the most popular theatre group among today's young generation. Hideki Noda's productions are complex fantasies with a strong vein of surrealist humour, rather as if Monty Python were invited to attend a traditional Japanese street festival. Noda himself is a high-energy comic performer of great charm and the entire company is skilled in song, dance and acrobatics. Hanshin (half-god) is about Siamese twins and attempts to separate them, but the plot is less important than the outpouring of visual invention. This is Total Theatre at its most exuberant.

Yamato Takeru (Shimbashi Enbujo). This staggeringly successful super-kabuki production by the kabuki theatre's greatest showman, Ichikawa Ennosuke, has already broken all the records that a new show can possibly break in Japan. Its sheer size and spectacle put it in the same category as the most extravagant Broadway musical. The story is based one one of Japan's oldest legends but it is less important than the extrovert and highly theatrical bag of tricks that Ennosuke has concocted to make kabuki more appealing to a generation that has grown up on rock music and action movies. Vulgar yet innovative, this is a production that you will either love or hate; one thing you cannot do is ignore it! Buy the English programme if you want to follow the twists and turns of the plot. (541 2211). Ends April 28.

Music

LONDON

Philharmonia Orchestra and Chorus conducted by Owain Arwel Hughes with Sheila Armstrong, soprano, Sarah Walker, mezzo-soprano, Neil Mackie, tenor and Stephen Roberts, baritone. Handel's Messiah. Royal Festival Hall (Mon). (928 3191).

London Sinfonietta conducted by Luciano Berio. Ravel, Berio and Mahler/Berio. Queen Elizabeth Hall (Mon). (928 3191).

Sonny Rollins/Stan Tracey. Royal Festival Hall (Tue).

Philharmonia Orchestra conducted by Andrew Davis with Alison Hargan, soprano. Strauss. Royal Festival Hall (Wed).

London Philharmonic conducted by Eliahu Inbal. Mahler 9. Royal Festival Hall (Thur).

TOKYO

John Lill, piano. Beethoven sonatas. Casals Hall, Ochanomizu (Mon). (291 2525).

Indian Folk Music. Kan'i Hoken Hall, Gotanda (Mon). (363 9151).

Choir of St. Hewigs Cathedral, Berlin, Tokyo Philharmonic Orchestra, conducted by Roland Baader. Beethoven 9. Showa Women's University Hitomi Memorial Hall, near Sangenjaya (Wed). (256 9696, 401 9561).

James Tocco (piano), Yomiuri Nippon Symphony Orchestra, conducted by Rafael Frühbeck de Burgos. Chopin, Stravinsky, Sibelius. Suntory Hall. (Wed) (270 6191)

Lyoubov Timofeyeva, piano. Granados etc. Suntory Hall. (Thur) (265 6361)

PARIS

Ensemble Intercontemporain conducted by Kent Nagano. Anton Webern, Klaus Huber, Alban Berg (Mon). Théâtre du Rond-Point (42 56 70 80).

Peter Schreier recital. Norman Shetler, piano (Mon). Théâtre de l'Athénée (45 42 67 27).

Nikita Magaloff, piano: Rachmaninov, Moussorgsky (Mon). Salle Pleyel (45 63 07 96).

Ensemble Orchéstral de Paris conducted by Armin Jordan, Isabel Garcisanz, soprano: Haydn, De Falla, Dvořak (Tue). Salle Gaveau. (45 62 67 57).

Nouvel Orchéstre Philharmonique conducted byn Eliahu Inbal with Mitsuko Shirai, Jard Vannes and Radio France Choir: Mahler's Resurrection (Tue). Salle Pleyel (45 63 07 96).

Orchéstre de Paris conducted by Kurt Sanderling, Luben Yordanoff, violin: Liadov, Glazunov, Brahms (Wed, Thur). Salle Pleyel (45 63 07 96).

Orchéstre National de France conducted by James Colon, Uto Ughi, violin: Janàček, Sibelius, Schoenberg (Thur). Théâtre des Champs Elysées (47 20 36 37).

MUNICH

Hamburg Radio Symphony Orchestra and Choir; The oratorio 'Elias' with the conducted by Heribert Beissel. Soloists are Mira Zakai, Edith Wiens, Wolfgang Schmidt and Bernd Weikl. (Tue).

NEW YORK

Orpheus Chamber Orchestra. Heinz Holliger oboe. Mozart, Wagner Respighi (Mon). Carnegie Hall (247 7800).

Masterplayers Chamber Orchestra of Lugano. Richard Schumacher conducting. Handel, Rossini, Dvorak (Tue). Merkin Hall (362 8719).

Chamber Music Society of Lincoln Center. Saint-Saëns, Carter, Schumann, Arensky (Tue). Alice Tully Hall (362 1911).

New York Philharmonic. James De Preist conducting. Haydn, Persichetti, Tchaikovsky (Tue); James De Preist conducting. Glenn Dicterow violin. Faure, Saint-Saëns, Walton (Thur). Avery Fisher Hall (874 2424).

Ory Shihor piano recital. Mozart, Eisler, Bley, Chopin (Tue). Kaufmann Hall. (996 1100).

Group for Contemporary Music. Thomas Bogdan tenor, David Hamilton baritone, New York Treble Singers. Stravinsky, Hugo Weisgall (Tue). Merkin Hall. (362 8719).

Julie Jordan & Friends. Mixed programme including Schubert. (Wed, 12.30, Free) Juilliard Concerts at the IBM Garden Plaza. 56th & Madison.

Tokyo String Quartet. All-Beethoven programme (Wed). Kaufmann Hall (996 1100).

Eric Bartlett cello recital with Wu Han piano and Sarah Clarke viola. Beethoven, Schumann, Bell, Brahms (Thu). Kaufmann Hall (996 1100).

WASHINGTON

Chamber Music Society of Lincoln Center. Saint-Saëns, Carter Schumann, Arensky (Wed). Kennedy Center Concert Hall (254 3776).

National Symphony. Mstislav Rostropovich conducting, Peter Serkin piano. Griffes, Stravinsky, Mozart, Brahms (Thur). Kennedy Center Concert Hall (254 3776).

CHICAGO

Chicago Symphony. Erich Leinsdorf conducting. Strauss, Schoenberg (Thur). Orchestra Hall (435 8111).

Exhibitions

WEST GERMANY

Berlin, Martin-Gropius Bau. The first complete show of Joseph Beuys' (1921-1986) works ever presented in Berlin. There are about 150 room-sculptures and objects and about 456 paintings from the end of the 1940s to the end of the 1960s based on a cycle, The Secret Block for a Secret Person in Ireland. The sculptures are an echo of real life and the artist's memories. Beuys was a political radical, who attracted plenty of hostility. This exhibition has been criticised for not showing this aspect. Streesmannstrasse 110: Ends May 1.

Bottrop, Joseph Albers Museum, Im Stadtgarten 20. To commemorate the 100th anniversary of Josef Albers' birth, The 100 paintings of the artist, born in Bottrop cover the full range of his work. Ends May 5.

AMSTERDAM

Tropenmuseum. The arts and crafts of Indonesia, illustrated with more than 500 objects in bronze, bamboo, textiles and precious metals spanning 2000 years of cultural history. Ends August 21.

Rijksmuseum. Two hundred of the printroom's finest 15th and 16th century ornamental prints, with designs for jewellry, weapons and furniture. Ends June 19.

Jewish Historical Museum. To celebrate the 40th anniversary of the founding of the state of Israel, an exhibition devoted to the theme of light in Jewish ritual, with lamps and menorahs specially commissioned from modern Israeli and Dutch artists. Ends June 12.

Rotterdam, Boymans-van Beuningen Museum. The textiles of Norlene and the glass artistry of Lino Tagliapietra inspired By the Light of the Lagoon and the long tradition of Venetian craftsmanship. Ends May 28.

The Hague, Gemeentemuseum. A lavish exhibition tracing Mondrian's development from figuration to abstraction, together with 70 paintings and drawings from the late New York period, on loan from the Sidney Janis collection. Ends May 29.

PARIS

Musée d'Orsay. Van Gogh in Paris. To mark the centenary of Van Gogh's two-year stay in Paris, a period which proved a turning point in his artistic development, the Musée d'Orsay has assembled more than 50 of his paintings and a dozen of his drawings from national and private collections. By hanging landscapes and still life by Monet, Anquetin, Renoir, Toulouse-Lautrec and Signac next to Van Gogh's work, the exhibition brings out their influence on the transformation of the Dutch artist's traditionally sombre colours into a soft, impressionist palette underlined by contrasts of blues and oranges, reds and greens. Yet in spite of the revelation of his affinities with impressionism and post-impressionism structured by a strong dose of japanism, Van Gogh used both the techniques in his search for his own, profoundly personal art expressed most dramatically in the series of his self-portraits. (45 49 48 14). Closed Mon. Ends May 15.

Centre Georges Pompidou. Le Dernier Picasso 1953-1973. By placing the last 20 years of Picasso's work in the context of contemporary art, the 95 paintings, 34 drawings and 70 engravings exhibited permit a fresh approach to the controversy caused by contradictory judgements on the ageing painter's feverish creativity. Absorbed at first by paraphrasing Delacroix, Valasquez, Manet and David, his fantasies and obsessions turned to the painter and his model and finally to the basic themes of the archetypical woman, the couple, the man. (42 77 12 33). Closed Tue, Ends May 16.

Centre Georges Pompidou. Marc Chagall. Forty-six paintings, 406 drawings and gouaches and nearly all the illustrated books which have been given to the French state in lieu of death duties constitute a unique retrospective of Chagall's life and work. From his beginnings in Russia to his last years in the South of France, aloof from the many avant-garde movements of his time, he remained the painter of poetry, dreams and mysticism. The public thus has a preview of the donation in which the strength of line of his drawings is matched by the glory of colours in his paintings. (42 77 12 33) Closed Tue. Ends June 5.

Petit Palais. Winterhalter and European Courts from 1830-1870. A retrospective of the painter of graceful feminine beauty around the thrones of France, England and Belgium. (42 65 12 73). Closed Mon, Ends May 7.

Grand Palais. Degas. An important retrospective of 275 works covers 60 years of the artist's career from his student beginnings in Italy to the rich maturity of his last years. His favourite themes of ballet dancers – there are the two versions of La Classe de Danse – and of jockeys and race courses, of washerwomen, milliners and bathers show the diversity of his inspiration echoed by the variety of his modes of expression. Oils and pastels, drawings and engravings, photographs and sculpture complete the vision of daring and invention of the painter who helped to usher in modernity. (42 56 09 24). Ends May 16, Closed Tue.

VIENNA

Austrian Museum of Applied Arts, The Kunst und Revolution. A rare opportunity to see Russian and Soviet art from 1910-1932 under one roof. There are marvellous paintings by Kazimir Malevich, Wassily Kandinsky and Alexander Rodtschenko as well as a fine collection of pre and post-1917 posters. It conveys the creativity and energy, expressed in the suprematist movement (1913-1915), the Inchuk group of artists based in Moscow (1920-1924) and the constructivists (early 1920s) – movements suppressed by Stalin in the late 1920s. Ends May 15

Continued on Page 21

ARTS

Cinema/Nigel Andrews

Surrealist search after truth

Cobra Verde (PG) Renoir, Gate Notting Hill
A Flame In My Heart (18) Cannon Piccadilly
Death Wish 4 (18) Cannons Oxford Street and Panton Street
Animation Festival Everyman

Cobra Verde is a joyous return to form from Werner Herzog. One had feared the worst, on first hearing that the Bavarian director was to make yet another film with Klaus Kinski in the mad, mad tropics. After *Aguirre, Wrath Of God* and *Fitzcarraldo*, enough seemed enough. But Herzog has thrown his gargoyle-faced star once more into the breach, this time in West Africa. He plays a semi-crazed Brazilian slave-dealer (and ex-bandit) betrayed in turn by his African ally, the King of Dahomey, and his white bosses back in Bahia. His mind burns under the burning sun. He trains a lunatic army of Amazonian black women. And he ends up thrashing in the foam at the sea's edge, vainly trying to drag an immovable boat into the briny to make his escape.

Brilliantly adapted and "Herzogised" from Bruce Chatwin's novel The Viceroy Of Ouidah, *Cobra Verde* rediscovers the classic Herzog chemistry: black comedy and holy-fool mysticism. The protagonist is a colonial monster and ex-bandit with a low boredom threshold. (When he learns of his Brazilian bosses' treachery, he says, "At last something has happened!") But Kinski also makes him a hero seen as if in a distorting mirror. He unseats a tyrannical king; he shakes his blond locks at threats of torture and execution; and he rebuilds a crumbling, sea-worn fortress which becomes the movie's stunning architectural centrepiece.

When shown at the recent Berlin Film Festival, the film was ridiculed and savaged by many critics. Ridiculed for the excruciating dubbed English dialogue (it has now, to everyone's relief, been re-voiced in German). And savaged as an example of the Herzog factory turning out yet another, and to some virtually indistinguishable, essay in equatorial madness.

But *Cobra Verde* has a virulent gleam and wit quite unlike the recent laboured *Fitzcarraldo*. Herzog is aware as never before of the Absurdism lurking under his monomaniac fables. When Kinski in his bandit prologue hisses "Your money or your life" to the occupant of passing sedan, the slinky lady inside steps down and swirls coquettishly towards him murmuring "My life." The Herzog world topsy-turvy with a twist of camp, is evident later in the choice routines of Kinski's training sessions with his black WRAC and the monstrous comedy of the scenes with the King of Dahomey. Presiding over a skull-paved palace, he is played with Ambi-like comic pomposity by — and we kid you not — His Majesty Nana Agyefi Kwami II of Nsein.

Haters of the movie will not believe that high farce can lie down with the grim chronicling of "third world" exploitation, even if the tale is set back 200 years in history. The crowning offence for many — who believe that if there is any exploitation going on, it is being done by Herzog — is the climactic appearance, dwelt on at length, of a grotesque and polyp-like African cripple, who lopes on all fours along the shoreline gazing impassively at Kinski's struggles with the boat.

The filmgoer must judge for himself if this character is there for crude freak-show effect or because he truly belongs in Herzog's scheme of things. For me he emphatically belongs. In this film-maker's satirical-mystical pantheism, the crippled of body stare with fascinated compassion and equal humanity at the crippled of mind. Neither man is more enviable, neither less. Both belong on a planet where imperfection has its own beauty, nobility and energy: a planet whose often mad-seeming menagerie of forms, feelings and thoughts only the surrealist, perhaps, can fully understand.

★

Madness, however, is not a guarantee of watchability or thematic resonance on the screen. Alain Tanner's *Flame In My Heart* is about the delirium of sexual desire: the one madness we probably all know something about. But Tanner's movie — several weeks in the life of a sex-hungry woman of a certain age, moving from love affair to love affair, from joys to depressions, from sensuality to suicide bids — is deadly serious, deadly silly and shot in a low-budget black-and-white that loudly fanfares "art movie" to us.

Our heroine is Mercedes, played by the compelling, gypsy-featured Myriam Mezieres, who also wrote the script, based on her own life. With her big features, swollen mouth and voluptuously raddled beauty, Mezieres gives the film everything she has. She struts, she laughs, she weeps, she soliloquises, she strips to the buff, she makes love, she masturbates.

But everything Mezieres gives the movie is still not enough. Tanner, a director hardly celebrated for his sense of humour (see *Jonas, Messidor*), provides no shaping, ironising perspective. The two main men in Mercedes's life — a macho Arab (Aziz Kabouche) and a wimpish journalist (Benoit Regent) — are grimly undercharacterised. And the film's style is so solemn and uninflected that it cannot encompass a sequence of potentially magical daftness, like that in which Mercedes earns a franc or two by stripteasing in a gorilla's cage in a fairground. (The mind boggles at what Herzog might have done with that.)

Even the philosophical ideas wafting around in the film — that sex is the world's great leveller, that carnal passion is identical whether operating in a gorilla cage or in a Racine play — are devalued by Tanner's humourlessness. Sex may, as the maxim goes, be the greatest fun one can have without laughing. But it is no fun trying to respond to a film on the subject while feeling as if one's laugh-muscles are officially shackled.

★

It is no less vexed a question how one should respond to *Death Wish 4*. Mute stupefaction is one option; a stiff drink is another. Here is Charles Bronson yet again as the grizzled vigilante hero, clearing the streets of people more brutal and unpleasant than himself, which by my reckoning ought to produce an entirely bloodless movie.

This latest sequel is directed by J. Lee Thompson and could constitute the only instance in film history of an audience missing Michael Winner. Punctured bodies fly across rooms; heads are slammed under car-boot hoods; restaurants are blown up; and cocaine-dealers — for they are the chief target this time — go about Los Angeles wondering what they must do to rub Mr Bronson out. My advice would be to shoot straight for once. As ever the villains seem unable to point a gun in the right direction and fire, while the hero seems unable to do anything else.

★

Happily, relief is at hand for tawdry filmgoers at the Everyman Hampstead. Their animation season begins on Sunday and plays host to a succulent selection of the world's greatest masters: Jiri Barta, Jan Svankmajer, Frank Tashlin and Bob Clampett among them. Visit, view and enjoy.

Cobra Verde: Klaus Kinski and his servant held captive by the King of Dahoney

Tussle with the censors at the Istanbul Film Festival

The presence of Elia Kazan as jury president, who returned to the place of his birth to accept an honour he has consistently refused elsewhere, was enough in itself to underscore the relevance of the 7th Istanbul International Film Festival (April 4-17). Add to that a press conference on "Glasnost in Cinema" with neighbouring Georgian director Tengiz Abuladze, and the Golden Tulip in the Cinema and the Arts competition awarded to *Travelling Avant* (France), a nostalgic autobiographical film by Jean-Charles Tacchella whose ancestral roots lie in Istanbul — and you have a film festival that specialises in the personal touch.

An unforeseen tussle with the censors this year could be taken as a sign of the Istanbul festival's growing importance. Five films among a record entry of 180 from 30 countries were considered morally offensive and cuts were demanded, mainly due to nudity; one, Tengiz Abuladze's *Molba (Supplication)* (Soviet Union, 1968) was banned entirely on religious grounds of being anti-Moslem. The action prompted a splurge of telegrams from festivals around the globe in support of Istanbul's director Hulya Ucansu and programmer Vecdi Sayar, which in turn brought behind-the-scenes assurance that the government will review the matter in the near future. Again, it was Elia Kazan who spoke passionately at two press conferences for all the members of the jury by requesting to see festival entries in their entirety, particularly those in competition. Later, he was given a standing ovation at the closing ceremonies when he spoke out in favour of current government attempts to improve relations between Turks and Greeks.

Istanbul will undoubtedly continue to grow in importance. The Cinema and the Arts competition covers the broad thematic spectrum from Paul Cox's fiction-documentary *The Life and Death of Vincent Van Gogh* (Australia) and Nikolai Burlyayev's sombre biographical spectacle *Lermontov* (Soviet Union), to Patricia Rozema's kinky art gallery scene in *I've Heard the Mermaids Singing* (Canada) and Jean-Charles Tacchella's unabashed embrace of his own *Travelling Avant* (France).

The on-going Turkish film renaissance — sparked by Yilmaz Güney a decade ago and fanned by several auteur directors today — was confirmed by a spate of invitations to key international festivals this season. Yet among the twenty selected entries in the Turkish Cinema '87/88 section none rose far enough above personal reflections to weigh socio-political realities. However, Erden Kiral's *Hunting Season* and Omer Kavur's *Night Journey* — the former set on an island in the Mediterranean and the latter in a mountain village setting — deserve consideration for their statements on intellectual aridity accented by tragic overtones.

One hopes, too, that a Yilmaz Güney retrospective will be possible one day soon in the country of his birth. Such a breakthrough now seems possible at a time when his name can be publicly debated for the first time in parliamentary meetings at Ankara.

Ronald Holloway

London Mozart Players/Festival Hall

Max Loppert

Dvorak's Violin Concerto — oddly shaped but full of beautiful music — was given one of its too-infrequent London hearings during Wednesday's London Mozart Players concert. The first movement breaks directly into the middle *Adagio* before its full structural weight has been established; but the *Adagio* is so richly suffused with tender Czech lyricism, and the dance-rhythm-fired Finale is so exhilarating, that any architectural imbalance is hard to recall, or care about, by the end of the performance.

It was certainly little in mind by the end of Wednesday's, for the playing of the soloist, György Pauk, had a radiance, a purity, and a distinction of style and sound that bound the whole work together. Mr Pauk is so much before the British public that one takes his fine qualities as something in danger of being taken for granted. The naturalness with which he commands the peculiarly Central European character of Dvorak's violin writing was demonstrated by the restraint with which he delivers it. There was no heart-on-sleeve in the playing, but much heart.

The LMP accompaniment under Jane Glover was sensitive and alert, not perhaps as blooming in string tone as the lines require. Around the concerto Dr Glover had placed Chaikovsky's Fourth Orchestral Suite (the "Mozartiana"), and the Mozart Prague Symphony. The partnership between conductor and orchestra has solidified and flourished since I last heard them together: in both works there was much deft, attractive music-making. Now it is perhaps time to do more chance-taking — to find more dash and responsiveness to colour (Chaikovsky's wonderfully voluptuous harp and celesta strokes were underplayed), a more dramatic sense of harmonic change. The conductor's sane, sensible approach to the Prague didn't suggest — as every performance of this symphony somewhere should — that this is one of the most exhilarating, disturbing, and unnervingly innovative pieces of music ever written.

Hindemith's Cardillac/Berne

Andrew Clark

It is a pity that Hindemith's early stage works have suffered the same decline in popularity as his other music, for on their rare outings in the theatre they still sound strikingly modern and individual. Recent performances of a triple bill of one-actors in Freiburg, of *Sancta Susanna* in Basle and now *Cardillac* in Berne have revealed what fertile hunting ground early Hindemith can be, and how masterfully he solved the perennial operatic problems of form and content. These works are part of the rich operatic inheritance from the German expressionist theatre of the 1920's, and as such inhabit a much more pithy world than *Mathas der Maler*.

But *Cardillac's* appeal is broader than that. The Berne production, staged by Francois Rochaix and conducted by Roderick Brydon, emphasised the fascinating counterpart between music and stage action, the very precision of the baroque musical structures serving to compress the impact of the drama. This energetic intensity was further underlined by the decision to play the three acts in a single 90 minute sweep. The production's main asset, however, was the purity of the musical accompaniment, capitalising on the intimacy of the Berne city theatre to establish absolute clarity of rhythm, texture and line. In contrast to the Munich production of three years ago and the old Keilberth recording, Brydon provided a sound picture of chamber opera proportions, so that even the neo-baroque concertante string lines could be appreciated and the voices heard above the denser textures. The result was sophisticated and intelligent, and it is hard to imagine the orchestral music better played.

The casting did not receive quite the same painstaking care. Niklaus Tuller, a bearded, sturdy looking Swiss baritone, cut the right figure on stage, but his voice does not possess the range or dramatic edge for the title role. Dressed in top hat and morning coat – the epitome of late 19th century bourgeois respectability – this Cardillac seemed a pathetic character, lacking the requisite demonic quality. The part of the Lady, sung by Barbara Martig-Tuller, calls for a soprano with greater vocal and visual allure. The other parts were more satisfactorily cast, with a particularly attractive performance by Annika Falk as the Daughter. Ian Caley made a most presentable Officer, while a young Spanish tenor, Jorge Anton, provided the most vivid characterisation of all as the randy but ill-fated Cavalier. The chorus was excellent.

Rochaix's staging, in Jean-Claude Maret's neat and exquisitely lit representational decor, placed the crowd scenes in an anonymous town square of the 1920's, but Cardillac's royal visitors in *Act 2* were from the Ancien Regime. Rochaix did nothing wilful or unmusical, and his blocking was meticulous and refined. But the staging lacked the larger than life quality of a horror story, and Rochaix has still not mastered the erotic element on stage, an essential feature of the seduction scene at the end of Act 1. These reservations apart, the production is another feather in the cap of the Brydon-Rochaix-Maret partnership, and confirms that *Cardillac* is one of the under appreciated gems of the early 20th century repertory.

Capricorn/Purcell Room

Andrew Clements

Capricorn's programme in the Purcell Room on Wednesday ranged widely through the polyglot musical culture of the United States. It juxtaposed a quartet of styles – as represented by Carter, Copland, Feldman and Torke – with a single new British work. James Ellis's *Mountain Steps* had been commissioned for the concert, and proved to be an intriguing and perplexing piece – a sequence of five, sharply defined movements for three winds, three strings and percussion, whose evocative titles clearly hinted at an extra-musical programme, though the details of that were not revealed.

Ellis's music has a clearly argued harmonic scheme, and a knack of conjuring some memorable textures, but whether or not this particular collection of independent pieces coheres in performance seemed less certain. The final movement, "Feadan na Ciche," was the least expected as a folk melody emerges, Maxwell Davies-like, out of the intertwined instrumental lines; the effect is not that of a goal suddenly achieved but of another layer of the composition suddenly being exposed, as if the whole sequence had been revealed as generated by a hidden agenda.

The Capricorn performance, directed by the composer, seemed incisive and expert and indeed the whole programme was presented with great panache. The highlight was undoubtedly the account of Carter's *Sonata for flute, oboe, cello and harpsichord*, which married a close attention to its rhythmic intricacies (the springing patterns of the last movements were perfectly placed) with a keen awareness of the work's dramatic potential – the Ivesian eruption of jazz inflections into the gentle layerings of the slow movement here acquired a genuine forcefulness. The sonata was paired in the first half of the concert with Copland's roughly contemporary Piano Quartet, and that too was vividly projected, coarser grained than one might have imagined, but no worse for that.

The second instalment of Feldman's *Viola in my Life* series, beguiling musical wallpaper through which the violist Martin Kelly and his colleagues floated with tact and poise, made a sharp contrast with Michael Torke's *The Yellow Pages*, a cunning little study in rock-based minimalism. Unlike most of its ilk the piece knows precisely when the point has been made and when to stop. Its exuberance was fully conveyed – Capricorn is undoubtedly enjoying a vintage period at present.

The Country Wife/Cheltenham

B.A. Young

Horner's opening dialogue with his doctor, where he requires to be thought of as physically "undone for ever with the women," ensures by the near-farcical standards of Wycherley's comedy that the most desirable women in town will allow him unusual intimacies. Wycherley allows our standards of belief a night off. We must also accept that Mr Pinchwife could hope that his young, pretty "country wife" would pass as a boy if she wore her brother's breeches, when it is the basis of London society that every man is anxious to seduce every pretty creature he sees. Inevitably, when "boy" Mrs Pinchwife is allowed a walk in the Exchange, she encounters Horner and falls for him.

Their affair is by no means the only business of the day. Sparkish, the wit, wants to marry the wealthy young widow Alithea, but Harcourt is after her too, a more marriageable man. And all the ladies except old Lady Squeamish are anxious to have a go at Horner. To describe all the tricks by which such fashionable seductions are approached would fill a page. Lord Macaulay described the play as "the most profligate and heartless of human compositions;" yet our satire-trained age can accept it as it appeared in 1765, a very funny and an apt comment on the excesses of the day's society.

Like the country wife, "I liked hugely the actors," especially the country wife herself at the Everyman Theatre, Marjorie Pinchwife. Sue Broomfield looks 18 and moves as if she were 15; she excels in the bravura fun of the letter scene. Horner is given a serious mien by Mark Buffery; though his actions are comical to us, he is probably as uncharming a man within as his trick suggests. Beth Ellis is a handsome Lady Fidget, quick to see through Horner's impotence, though she conceals her intimacy behind her bargaining for a piece of china. Terry Wale's Sparkish is too much given to loud laughter, but he is good in his final disappointment, when Harcourt (Nicholas Hutchison) finally secures his Alithea (a dignified Susan Twist).

The production under John Doyle runs for under three hours, but all that is cut is some dialogue that must have meant more to Restoration audiences than it would to us. It is good to look at, except when the ladies posture with their sunshades as if they were in Gilbert and Sullivan. There is a flexible set by Glenn Willoughby, rather less than half-realistic, whose many-doored walls can bend to enclose Horner's or Pinchwife's rooms or the New Exchange. The final dance is cumbersome, but as it must have dull old Pinchwife (David Monico, not dull at all) in the forefront, that can hardly be helped.

Wycherley fans can see *The Plain Dealer* at the Swan, Stratford-upon-Avon, next week.

Arts Guide

April 22-28

Continued from Page 20

Kunstlerhaus. After the highly successful Dream and Reality exhibition which looked at fin-de-siecle in Vienna, the Austrians have gone back to the Biedermeier period (1815-1848). This large exhibition is suitably called The Middle-class Mentality and the Spirit of Revolt: Biedermeier and pre-March in Vienna. Probably the term revolt is a bit of misnomer. Unlike other European countries, the Austrians never had their great revolution. Ends June 12.

Secession. It is worth seeing how this building has been restored and the small but fine exhibition of lithographs and drawings by George Eisler, one of the few artists who returned to Austria after 1945. The collection focuses on Eisler's book illustrations. Ends May 15.

Rathaus. Vienna City Hall is commemorating the Anschluss, the German annexation of Austria in 1938 by a large and courageous exhibition showing how Austrians reacted to Hitler's march into Vienna and the eclipse and eventual destruction of the Jewish culture in Vienna. Ends June 30.

Kunstforum, Messepalast. Alfred Hrdlicka, Austria's leading sculptor, celebrates his 60th birthday with an exhibition of his work, all carved in stone. Hrdlicka is an inspiring and energetic artist who shows no signs of retiring. Ends May 29.

Historisches Museum, Karlsplatz. The cultural legacy of Vienna's Jews which has been preserved by Max Berger, makes up this large exhibition which conveys the sense of loss as much as the community's artistic richness.

NEW YORK

Metropolitan Museum of Art. Every phase of Fragonard's art is included in this, the first comprehensive exhibition of his works that capture France in the last decades of the ancien regime. With 90 paintings and 150 drawings, the show comes from the Louvre with his studies of contemporaries in theatrical costume, figures from the Louvre like The Fete at St Cloud and The Seesaw. Ends May 8.

WASHINGTON

National Gallery. The human figure in early Greek art is the subject of 67 sculptures and painted pottery starting in the 9th and 8th centuries BC with silhouetted stick figures and ending with the naturalism perfected in the 5th century BC. Ends June 12.

National Gallery. To mark the 350th anniversary of the first Swedish colony in North America, a royal treasury covering four Swedish monarchs in the 16th and 17th centuries will show Sweden as a resplendent and aggressive world power through objects and 160 paintings on loan from the Royal Treasury, the national museum and the royal collections. Shown in the East Wing. Ends Sept 5.

CHICAGO

Art Institute. A centenary retrospective of the work of Georgia O'Keefe evokes the world of flowers and skulls in the luminous light of New Mexico. Ends June 19.

TOKYO

Laforet Museum. Crafts from India. Textiles, sculpture and other craftwork, mainly from the colourful states of Gujarat and Rajhastan. 10 master artisans from these states will be giving live demonstrations of their work and all the works are for sale (at a separate location). Ends May 1.

Tokyo, National Museum, Ueno. Art Treasures of Ancient Egypt. The formal, hieratic art of Egypt is not to everyone's taste, and this show will appeal more for their associations with the cult of death or for their lavish use of gold and other precious materials. This exhibition gathers important pieces from collections in East Germany. Closed Mondays. Ends June 12.

Tokyo Metropolitan Art Museum, Ueno. Japan in the 1920s. More than 400 works (paintings, photographs, sculpture, posters, stage sets) tracing cultural and artistic developments in and around the seminal decade when Japan first emerged as an industrial giant. Closed Mon. Ends June 5.

Ota Memorial Museum, Harajuku. A peaceful haven amidst the hustle and bustle of one of Tokyo's trendiest districts. This month and next, a representative selection of woodblock prints by everyone's favourite Japanese artist, Hokusai. Items are on loan from the Peter Morse collection in the US. Closed Monday. Ends April 27.

Teien Museum, Meguro. Art Deco Glass by Rene Lalique. This former Imperial residence has one of the finest Art Deco interiors in the world. Among its many treasures is a set of glass doors with relief figures of winged goddesses, designed and made by the master of Art Deco glass, Rene Lalique (1860-1945). The current exhibition is a perfect match. It consists of some 300 examples of Lalique's work, from private collections in Japan and overseas. The quality is uneven, with the notable exception of pieces loaned by Lalique's grand-daughter, but the setting is unparalleled. Closed April 27. Ends May 29.

Seibu Yurakucho. Indian Court Costumes. Described by one New York reviewer as "by far the most dazzling, opulent and beautiful show mounted in recent years." Costumes from the collections of 12 former princely states. Ends May 10.

Saleroom/Antony Thorncroft

Altar piece hits jackpot

Sotheby's hit the jackpot yesterday, with a monumental Spanish altar piece of the 16th century, 150 inches high, 89 inches wide, and 14 inches deep, selling for £462,000, double its estimate, to a private collector. The appearance on the market of such a complete relic of our Christian past is rare.

The altar piece came from the workshop of Guiot, Juan and Mateo Beaugrant, who were of Flemish origin and active in the Basque region around 1530. Their work survives intact in many local churches. This example has the lamentation below, and is in polychrome and giltwood. It was acquired by the Bernheimer family in 1912 and sold by them yesterday in an auction of European sculpture and works of art.

A much more secular object, a Florentine terracotta group of an equestrian battle scene, attributed to Rustici, working in the first half of the 16th century, also did well, selling for £275,000. It is an hitherto unknown example of a well known group of four similar terracottas of equestrian battle scenes, now dispersed between the Louvre, Bargello and Palazzo Vecchio. Rustici was obviously inspired by similar works by his predecessors Leonardo and Michelangelo, which also celebrated the victories of the Florentine cavalry.

The morning session of the auction totalled £1,181,070, with a reasonable 15.5 per cent unsold. A pair of carved wood Nuremberg reliefs of around 1530, one of the Last Supper, the other of Christ washing the disciples feet, made £44,000, while a Franconian polychrome and giltwood statue of the Virgin, attributed to the circle of Michel Erhardt, of around 1490, realised £19,800.

In the afternoon session, a large marble statue of a centaur, collected on his Grand Tour by Frederick Hervey who combined being Bishop of Derry with the title of 4th Earl of Bristol, sold for £60,500, to the London dealers Partridge Fine Art. The Earl-Bishop was a great collector and acquired this 18th century Roman copy of the Younger Furietti centaur. It is based on an antique excavated at Hadrian's villa in 1736. This example stands over seven feet high, and took ten men to move it from Belfast to the Bishop's Palace in 1791. The price was near the top end of its estimate.

Christie's had a modest sale of things Russian, plus icons. A Greek icon of the Dormition, with the signature of the 19th century Cretan painter Andreas Ritzos, but probably produced in Italy at around the same time, sold for £15,400, way above forecast, while a large 18th century Russian icon doubled its estimate at £12,100.

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The reform of education

THIS WEEK'S House of Lords debate on the Education Bill demonstrated once again the extent of opposition to the Thatcher Government's proposed measures. Peers whose support can normally be taken for granted revealed themselves as critics of some of the more controversial proposals: the Bishop of London, for example, said he viewed the impending abolition of the Inner London Education Authority "with dismay." Even Lord Joseph wondered aloud whether Mr Baker's national curriculum "might not impose too tight a strait-jacket." The contrast with the cross-party support for the 1944 Butler Act could not be greater.

Education is critical to the future success of the economy – and to the cohesiveness of society – in a way that the poll tax, for example, is not. The penalty for inappropriate change here will be much greater than in other spheres. Yet the Government has allowed little time for consultation and is adding clauses to the bill, such as those relating to Ilea, at an alarming rate. It is presenting a controversial moving target when the complexities and importance of the subject demand that it seek broad support for a core of carefully worked out reforms.

Many of the reforms are not fully worked out, and some seem peripheral to the central task of raising standards. The contents of the proposed national curriculum, the amount of the timetable it will occupy and the way standards will be gauged are all unclear. Critics on the right point out that a centrally imposed curriculum will limit choice and inhibit innovation; the more pragmatic centre worries that it may impose an excessively academic education on the less able 40 per cent.

Dubious mechanism

The provisions allowing state schools to opt out of local authority control are more strongly opposed. The mechanism – a simple majority of parents actually prepared to vote – is dubious. Why should one generation of parents determine the fate of a school for all time and what if only 10 per cent of them vote? Doubts are also being raised about the purpose of the policy.

The opted out schools will not be truly independent: they will have swapped local authority control for Whitehall control. If many schools opt out, the Department of Education will have to develop a new central bureaucracy to oversee the affairs of schools dotted across the country – nobody should imagine that civil servants who finance an activity will not also take a keen interest in how the money is spent. Meanwhile local authorities' ability to plan for their areas will be undermined and their costs raised as support services are spread over fewer schools.

In addition to these changes, the Government is planning to abolish Ilea without any clear idea of how the individual boroughs will either finance or organise London's present, integrated education services. What will happen, for example, to Ilea's much praised adult education services?

Mr Baker is also proposing far-reaching changes to university funding even though he has not yet explained how the new system of "contracts" will operate. He is refusing to allow universities to offer tenure as an inducement, rather than a right, even though this is a feature of competitive regimes, such as that in the US.

Worrying gaps

There are also worrying gaps in the bill. The importance of effective pre-school nursery education is widely recognised, yet there are no plans to bring UK provision up to international standards. Likewise no effort is being made to increase the proportion of 16-18 year-olds staying at school, even though this is abnormally low. Entry to university remains extremely restricted by the standards of competitor countries. Mr Baker is doing nothing significant to improve opportunities for adult education, even though changing economic circumstances are increasing the need for education throughout life. Grants and other subsidies remain disproportionately concentrated on young full-timers; institutions catering to adult part-timers have had to fight for their very existence. There is much work for the Upper House when detailed scrutiny begins next month.

Europe's forum for defence

THE DECISION this week by the seven-nation Western European Union to open exploratory negotiations on Spain's and Portugal's membership applications has again focused attention on the role of that shadowy organisation. For it hardly seems worth while, either from the point of view of its present members or of the two applicants, to enlarge the WEU if its contribution to forging a European identity within the Atlantic Alliance is not more clearly defined.

Originally created in the immediate post-war era as a mutual security pact by Britain, France and the three Benelux countries, and later enlarged by the accession of West Germany and Italy, the WEU has suffered from long bouts of somnolence.

Part of the reason for this low profile was that Nato, with a much broader membership including the US, Canada and Western Europe, quickly took over the role as the Western world's principal defence organisation. That continues to be the case. But recent developments in East-West relations have given the WEU a new relevance. The Western European countries have begun to realise that they may not be able to count indefinitely on the US nuclear umbrella, or indeed its conventional protection. Moreover, the financial constraints faced by Washington have increased the pressures on its European allies to accept a larger part of the burden of defending their own continent.

British fears

The obvious place for the Europeans to discuss these problems amongst themselves is the WEU, since the European Community does not, so far at least, have the competence to discuss defence matters. A good start was made last October, when the organisation's Foreign and Defence Ministers adopted a common security "platform," which goes further than anything they have done before in setting out a European defence strategy. Yet the WEU remains hamstrung by the fears of some of its members, particularly Britain, that if it goes too far in the direction of working out a common European position, it would undermine Nato, encourage isolationist tendencies in the US and thus weaken the Atlantic Alliance in its dealings with the Soviet Union and its Warsaw Pact allies.

These fears are not entirely without foundation. However, they should be set against repeated statements by members of the US Administration, including the President, welcoming the efforts which are being made to strengthen the European pillar of Nato. Nor does the fact that France is not part of Nato's integrated military command appear to worry Washington very much at a time when Paris is co-operating more closely with the Alliance in practice.

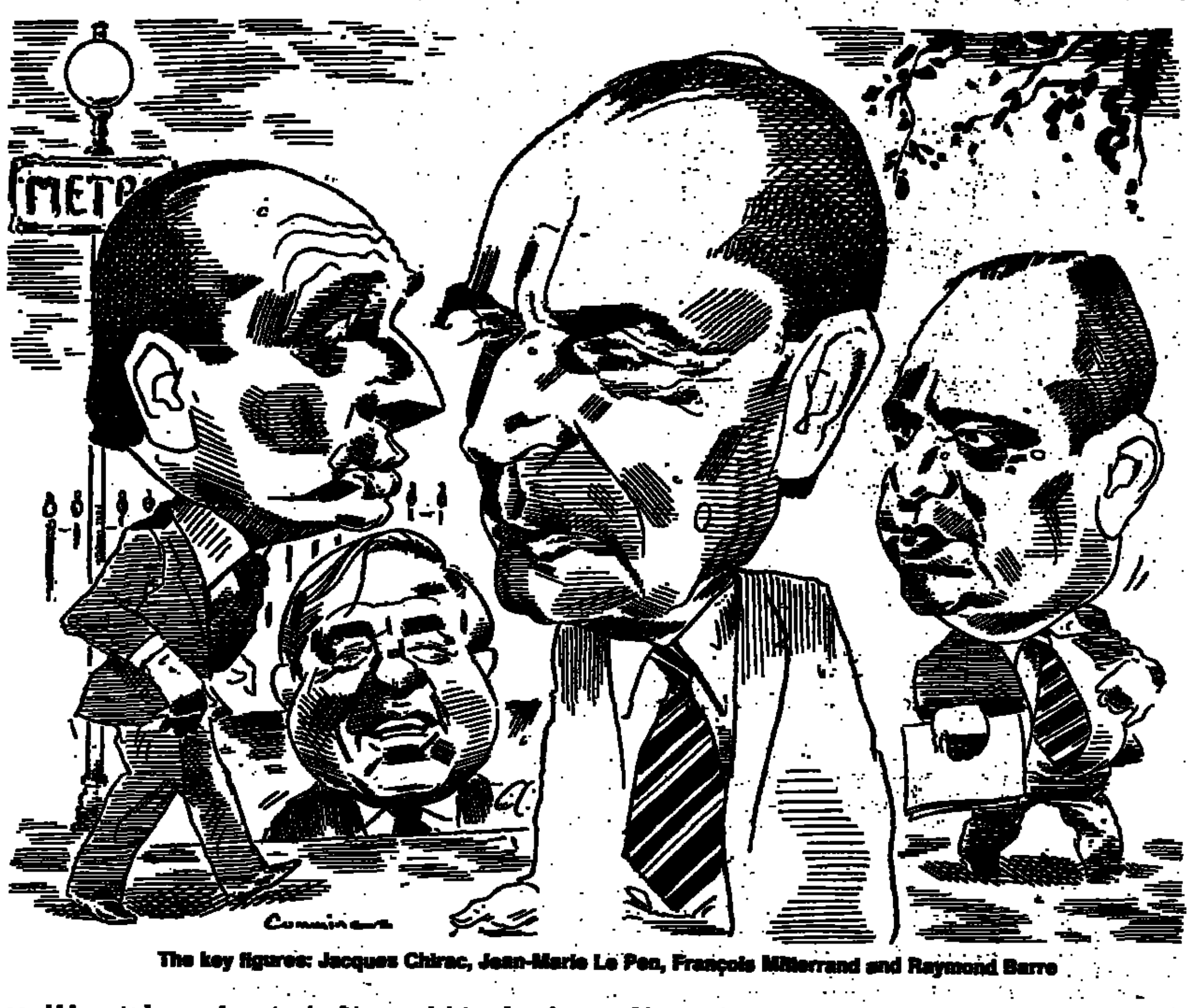
Concrete policies

That is a signal which should not be ignored by those in Europe who are trying to be more Catholic than the Pope and who are putting the brakes on greater European defence co-ordination as a consequence. There is no longer any valid reason why WEU should not act as a genuine forum for the adoption of common European positions, within the context of the Alliance as a whole. A European pillar cannot be built on sand. It must be based on concrete policies in fields like arms control, burden-sharing and arms procurement. Accepting a greater share in the Alliance's defence must necessarily involve having a greater say in decision-making.

It is only an effective organisation of that kind which is worth enlarging. During the exploratory membership talks which are about to begin with Spain and Portugal, it must be made clear to the applicants that they are subscribing to an organisation which intends to become more than just a European talking-shop. The defence platform makes it crystal clear that nuclear weapons remain one of the essential elements in Western Europe's defence. Spain, given its reservations about nuclear weapons, may have some difficulty in meeting all the commitments of the platform, in spite of its public protestations. But the issue should not be fudged if the WEU wants to be taken seriously as an effective European defence forum.

Ian Davidson explains why the presidential election on Sunday could prove a watershed for France

Beneath the sheen of consensus



The key figures: Jacques Chirac, Jean-Marie Le Pen, François Mitterrand and Raymond Barre

FRANCE'S presidential election, the first round of which takes place on Sunday, offers the spectacle of a contest which is more interesting and much more significant than it appears at first sight.

To a majority of the French electorate, according to a poll a few weeks back, the campaign appeared uninteresting, no doubt because there has been too much apparent consensus and too much predictability about the final outcome.

Yet the French are wrong to be bored: beneath the smooth sheen of consensus and the apparent predictability of the result, it is arguable that this election will prove a fundamental turning point for the Fifth Republic.

A central prediction emerges from all recent polls: President François Mitterrand will come top on Sunday by a wide margin; Mr Jacques Chirac, Prime Minister and leader of the neo-Gaullist RPR party, will come second, well behind Mr Mitterrand but comfortably ahead of Mr Raymond Barre, his chief right-wing rival and standard-bearer for the UDF umbrella grouping of centrist and liberal parties; and Mr Mitterrand can confidently expect to be re-elected for a second term, in the second-round run-off against Mr Chirac in a fortnight's time.

Naturally, the last part of this prediction is much less secure than the first; as Mr Mitterrand keeps reminding his supporters. In the first round, there seems little doubt that Mr Mitterrand will come first, because his standing in the polls has remained consistently in the region of 36 to 38 per cent for several months, even if it has tailed away a little. There seems equally little doubt that the second-round run-off will be between him and Mr Chirac; over recent months, Mr Chirac's rating has climbed steadily while that of Mr Barre has fallen equally steadily, and recent polls put Mr Chirac 4½ to 6½ percentage points ahead of Mr Barre.

Uncertainty becomes more serious with the second round. According to the crude aggregates in the opinion polls, the supporters of all the right-wing candidates taken together outnumber the supporters of all the left-wing candidates taken together; but Mr Chirac and Mr Barre together only add up to 40-42 per cent.

The critical difference in the numbers comes with the addition of Mr Jean-Marie Le Pen, the extreme right-wing National Front candidate, whose rating has gradually risen to an astonishing 10-12 per cent. Mr Le Pen's strength comes partly from the high concentration of immigrants in areas like Marseilles, Paris and Lyon, but partly reflects a protest at the high level of unemployment; this general protest element makes his following particularly unstable.

If the polls nevertheless consistently give Mr Mitterrand the final victory, it is because of the depth of the divisions and antagonisms within right-wing opinion in France. A significant minority of Mr Barre's supporters *say* they would not vote for Mr Chirac in a run-off against Mr Mitterrand, and vice versa, while an even larger proportion of the supporters of Mr Le Pen *say* they would vote for neither of the mainstream right-wing candidates on May 8.

Of course voters may change their minds after Sunday's results; if they face a stark choice between Mr Mitterrand and Mr Chirac, for example, Mr Chirac could perhaps gain a surge of support from right-wing voters who would really prefer to be voting for someone else. The final result will probably be a lot closer than the 52-54 per cent Mitterrand victory predicted in most polls; but the surge to Chirac would have to be very large to give him victory.

In this respect, Mr Mitterrand's tactics look especially subtle; some might even say devious. Mr Barre has promised to dissolve the National Assembly if elected; he must, because he would need to strengthen his position in parliament where the neo-Gaullist RPR party is larger and more disciplined than his disparate followers in the UDF. For mirror-image reasons, Mr Chirac says he would *not* dissolve the National Assembly; moreover, he does not want to alarm National Front deputies who came to parliament under proportional-representation voting rules, but whose seats would be vulnerable under the majority-voting rules restored by the Chirac Government.

Mr Mitterrand, by contrast, is having it both ways. On the one hand, he says that he would not wish to dissolve the National Assembly. He would appoint a Prime Minister to reflect his ideas and this Prime Minister would form a government. Only if the government were "prevented" from governing, would Mr Mitterrand call fresh general elections.

Many observers suppose that the odds-on favourite to be Prime Minister must be a right-wing socialist like Mr Michel Rocard, the former Agriculture Minister, but Mr Mitterrand has been very careful not to specify that the Prime Minister would be a socialist. Moreover, he has gone out of his way to declare that there are numbers of perfectly decent people within the present Government's centre-right majority, with the unmistakable implication that he is prepared to offer jobs to centrists to secure a parliamentary majority.

The option of a parliamentary opening to the centre is peculiarly tantalising because of the implications of the proportional voting rules which governed the 1986 general elections. When a member of parliament becomes a minister, he gives up his seat in the National Assembly. In the old days, under majority voting for single-member constituencies, the minister would be replaced by a stand-in; if the minister lost his government job, the stand-in would stand down.

But the rules are different under the proportional-representation voting introduced by the socialists, with party lists in each department. A minister who loses his government job cannot recover his seat in parliament except through new elections; if his replacement resigns, the seat would be taken by the next person on the party list, and so on. So long as Mr Mitterrand postpones calling new elections, therefore, Mr Chirac and the other heavy hitters in his Government would simply cease to play any role in the National Assembly.

Mitterrand as tactician will employ almost any device and dangle any lure to win and to control the political system

How much difference this would make in practice is unclear. Mr Barre would remain a Cassandra-figure on the back benches, but since he has deliberately avoided trying to be a party leader, his position would be weakened by electoral defeat. Mr Chirac would be out of parliament, but he would remain a powerful figure with immense powers of patronage as Mayor of Paris; a convincing showing in the second round might help him strengthen his RPR party by forging links with, or even taking over, elements of the UDF.

By contrast, former President Valéry Giscard d'Estaing would remain perhaps the leading centre-right figure in the National Assembly, and there has been growing speculation that he would profit from a Mitterrand victory. He has conspicuously refused to declare a choice between Mr Chirac and Mr Barre, each of whom served under him as Prime Minister in the 1970s. And when Mr Mitterrand is asked whether he would return to proportional voting or not, he keeps his options open (as usual), but always includes some kind words for Mr Giscard d'Estaing's proposal for a mixed system, with proportional representation in departments with large populations.

In other words, the tactician in President Mitterrand is prepared to employ almost any device, and dangle any lure, to win not just the victory in the presidential election, but control of the political system. The corollary is that this presidential election almost unavoidably marks a fundamental departure from the doctrinal and constitutional tradition inherited from General Charles de Gaulle as founder of the Fifth Republic.

All three leading candidates pay lip-service to the legitimacy of the Gaullist heritage and in two respects they are partly sincere. First, there is a popular consensus on the need for the French nuclear deterrent; second, there is a consensus on the merits of the constitutional arrangements of the Fifth Republic. But Gen de Gaulle would not have approved of the direction in which France's nuclear consensus is evolving and he would have vigorously decried the party-political manoeuvring of this election.

Ostensibly, the nuclear consensus still rests on the notion of French independence. In reality the socialists, followed by the neo-Gaullists, have moved steadily towards the idea of much closer defence links with France's European allies; they have not solved the problem of how to reconcile defence co-operation with nuclear independence, but it is evident that European co-operation now has a priority which is logical in the post-Reykjavik era but which is scarcely Gaullist.

The shift in attitude is eloquently parallelled in the policy of the neo-Gaullist RPR party towards the European Community. De Gaulle paralysed the Community for six months in 1965 in the name of a claim for a national veto; in 1985 President Mitterrand signed the European Single Act which significantly increased majority voting; the neo-Gaullists did not much like this, but today the RPR, like the Socialist Party, proclaims the overriding merits of the single European market and the need for a single currency and a European central bank.

Perhaps President de Gaulle's views on Europe would have evolved over time. He could never have approved the party-political manoeuvring which has come to characterise this election. Mr Barre is the only major candidate to attempt to emulate De Gaulle, by standing as an individual free of party ties; but the verdict of the opinion polls is that only a national hero can hope to be elected without the support of a major party apparatus, and while Mr Barre may be "the best economist in France" (in Giscard's words), he is not a national hero.

If Mr Chirac has overtaken Mr Barre, it is at least partly because he controls a rich and powerful party machine. His weakness may be that this machine does not yet command enough of the centre-right vote or dispense enough of the centre-right patronage. Mr Mitterrand presides over the biggest party in France and his tactical problem is enormously simplified by the collapse of the Communist vote to insignificance. Mr Chirac, by contrast, has the much more difficult problem of combining overtures towards the centre with overtures towards the National Front.

If he is defeated, it will be partly because the problem is temporarily insoluble. But the unavoidable conclusion is that he must strengthen his chance next time round by enlarging his party. The Gaullist model says that the President is above the fray; the logic of events compels the creation of strong parties, which in turn means a bigger role for the National Assembly.

Many commentators, on the left and on the right, have lamented the hollow cynicism of this campaign. In Le Monde, Mr Jean-Marie Colombani has denounced the "confiscation" of this election by the power-play of party calculations, in which clear and open policy debate has been smothered, or evaded, in favour of devious political tactics.

One can sympathise with the indignation. But the plain fact is that the ideological contest between left and right in France is much, much weaker than it was; that the European imperative is becoming more of a fact than a choice, leaving less room either for old-fashioned socialism or for old-fashioned *étatisme*; and that in the absence of the traditional antithesis between fundamental policies, the only, or at least the overriding stake in the election is the crude conquest of political power.

As a result, it seems probable that this presidential election, for all its frustrating evasions and ambiguities, will mark a profound change in the French political system. Whoever wins, on May 9, the transformation to a parliamentary-party system will be two-thirds complete, and Gaullism as we have known it will be dead. Except, of course, in the speeches of politicians.

OBSERVER

New breed of mouse

He is the mouse for today and he lives in Birmingham. He cocks a snoot at poisons and treads a different path to his cousins. He is the young upwardly mobile mouse (yummy) and is potentially a big problem to the people in the rodent control business.

The yummy, like his human counterparts, is a phenomenon of the 1980s. He has developed from the 1970s supermouse which became resistant to some poisons.

The new mouse was discovered by Rentokil pest control workers in the Bull Ring area of Birmingham and so far it has defeated the best attempts at eradication.

This is worrying news for Rentokil since it has just wheeled out its latest weapon against mousedom, the Mouse Alert, a sort of burglar alarm triggered by breaking the infra-red beams in a small box designed to be particularly inviting to mice. The system is aimed at companies where being completely mouse-proof is essential.

Ordinary mice tend to walk along the sides of solid objects and are inquisitive by nature, so the system would appear infallible. Whether it works against the Birmingham mice is another question. The yummy has a tendency to walk out into the centre of a room and is not tempted by poisons or even lumps of untreated chocolate.

A research programme has been established by Dr Richard Sibley, a zoology lecturer at Reading University and Adrian Meehan, chief biologist at Rentokil and author of Rats and Mice, Their Biology and Control, the standard work on the subject.

Sibley says one problem has been catching mice for the study because avoiding traps is precisely what they are good at. When he has enough, he hopes that the study will provide valuable evidence of genetic behavioural changes. He said: "It could, of course, be a cultural effect which would be equally exciting." Rentokil is used to the adaptable mouse. It has found one strain which can survive in freezers, by growing long hair and shedding its tail. The woolly mouse enjoys gnawing frozen meat.

Change of caste

People from the Antipodes are talking about a new group called Naussies. The are the new Australians: those who emigrated there from Asia.

Goodhart again

Goodhart's law may have been proved right once again. The law states that whenever you begin to target a monetary variable, it begins invariably to misbehave.

Charles Goodhart is the former chief monetary adviser to the Bank of England and now Professor of Banking and Finance at the London School of Economics. It was he who cast some scepticism on the targeting on M3 – the broad measure of the money supply – when monetarism was at its height.

The British Treasury is now trying to convince financial markets that M4, an even broader measure which includes deposits in banks and building societies as well as notes and coin in circulation, is the indicator they should be watching.

This variable has been growing by about 16 per cent for some time. Yesterday's money numbers show its annual growth rate has risen to 16.7 per cent.

Danish breakfast

Is the US planning to gobble up Denmark? The possibility cannot be ruled out after statements from President Reagan's White House spokesman, Marlin Fitzwater.

After the press briefing on Wednesday to comment on a resolution by the Danish Folketing stopping visits to Danish ports by warships which decline to respect

Denmark's policy of refusing to allow nuclear weapons on its territory, Fitzwater confessed that he had not heard about the crisis which the resolution has caused in Danish-American relations.

"To me Danish means breakfast," he said, referring to what in Britain is known as Danish pastry, in Denmark as Vienna bread and in the US as just Danish.

Rules of the club

The star of the House of Commons debate on Wednesday night over the suspension of Ron Brown, the mace dropper from Leith, was Tony Benn.

With the departure of Enoch Powell, he has adopted the mantle of the classic parliamentarian – the slightly bogus champion of the rights of the back-bencher. Benn can be a very witty speaker, having realised that that is one of the ways of getting on in politics. On Wednesday he excelled at it, even reducing his arch foe, Neil Kinnock, to laughter when he said that Brown had nothing to fear from the House compared with the reaction of the leader of the opposition.

John Biffen, another "great parliamentarian" who enjoys the back benches, said that it was a "a patrician view."

Benn put the week's events in perspective by pointing to historical precedent, going back to the 17th century and the Irish disruptions of the 1880s. "The day we accept that the House can remove a member is the day we destroy parliamentary democracy," he hyperbolised. Still, he had a point in saying that Brown's real offence was against the rules of the club rather than against democracy as such. Some of Margaret Thatcher's new breed of Tories are too pompous.

In-jokes abounded. A traditional High Tory baronet, Sir Nicholas Bonsor, admitted that he had been Brown's pair in voting arrangements for nine years – as weird a coupling as the Commons can ever have seen.

Brown's few supporters came from Labour's hard-left, including Eric Heffer who said that the House did not "need a sledgehammer to crack a ..." Heffer was drowned out by laughter before completing the cliche. But he had it about right.

Sense of history

There was a slightly carping tone, we thought, in the reactions of both the British and US administrations to the freeing of the hostages by the Algerian authorities. At least the Algerians got them out alive, which did not always seem likely.

One British newspaper went even further in its indignation at the release of the hijackers. "The writ of the civilised powers runs much less far than it did, say, 50 years ago", wrote the editor of the Daily Telegraph.

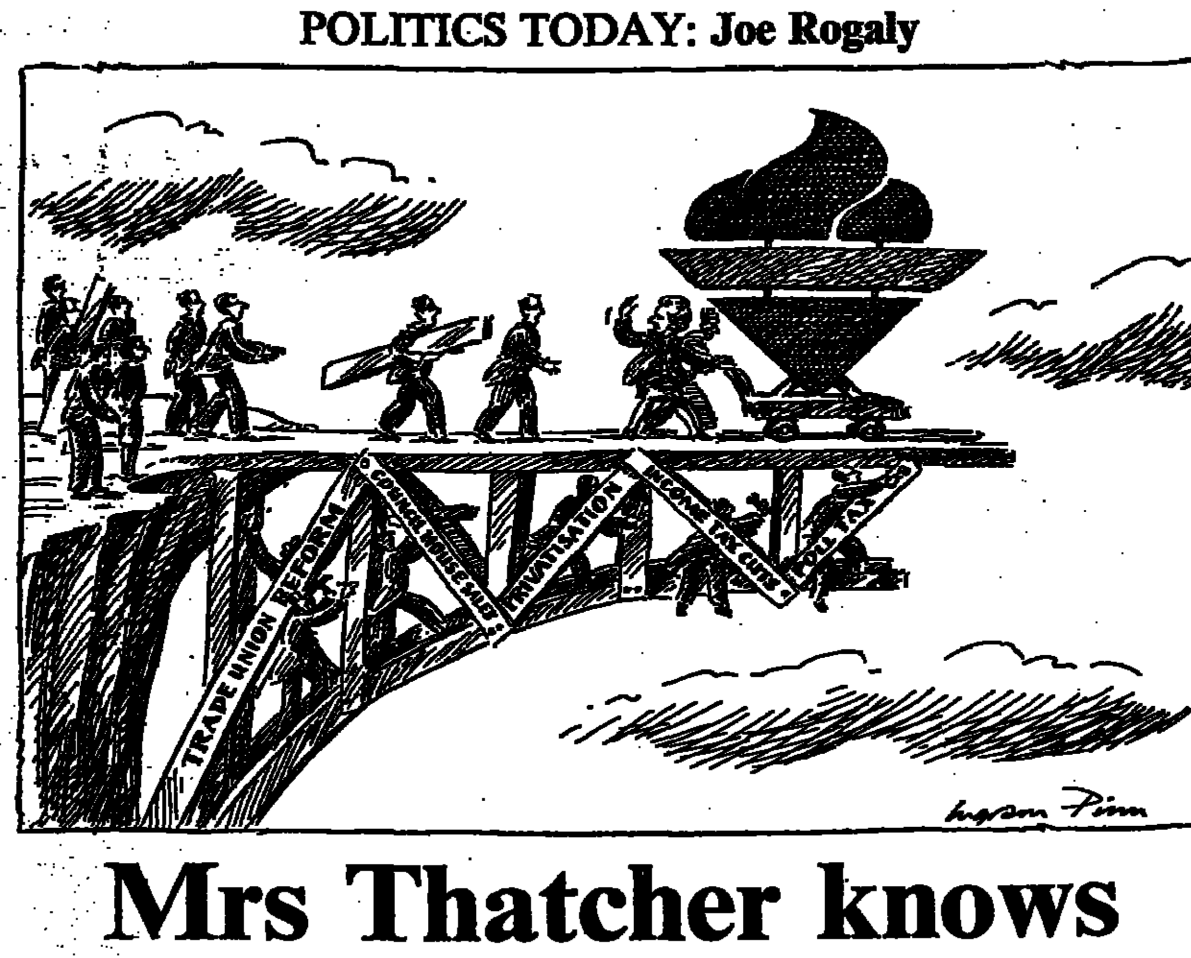
Fifty years ago was 1938, hardly the best of times for civilised international behaviour.

Nice to be asked

"Are you the owner of the Rolls that's blocking the entrance to the car park?" the landlady of a Sussex pub asked a young man in the saloon bar on Saturday.

"No, I'm not," was the reply, "but thanks awfully for asking me."

POLITICS TODAY: Joe Rogaly



Mrs Thatcher knows how far is too far

ONE DAY Britain's conservative revolutionaries may go too far. If (when?) they do, they will self-destruct. I cannot tell you exactly what "too far" is, for the line has been receding since 1979, when the present Tory government was first elected. At one time it would have been unthinkable to sell publicly-owned houses to sitting tenants at a discount, or to face down the trade unions, or to return virtually all the nationally-owned industries to the private sector. Now those policies are regarded as the foundation-stones of the Government's success.

There was a day when the idea of student loans would have been rejected out of hand as an American device. Even a scheme for top-up loans as a means of adding to existing grants would have been shredded the moment the first official minute appeared. Now that rather sensible notion is being wheeled along to the "too far" line to see if it stops short. A few years back the proposition that the building of prisons should be put out for private tender would have elicited the response that the proposer was mad. This lark is now within the likely bounds of present-day acceptability. Before you know it, they'll be talking about the management of prisons by private firms.

If that gives an idea of how the boundary shifts, consider one or two pet policies that are not being put forward because they would quite clearly overstep the mark. In the House of Commons some simple-minded Tory backbenchers clutch you by the sleeve and mutter that it is a strange coincidence that the streets are unswept while many people are unemployed. The answer is plain: force claimants for unemployment benefit to sweep the streets. At one stroke, they say with glittering eye, you abolish both unemployment and the social security bill.

Such people look longingly across the Atlantic at "workfare", which at its worst could mean cheap forced labour and at its best sophisticated training schemes like those the Swedes operate so successfully. (In my view a combination of good training schemes with an obligation to take available, suitable, properly-paid work is only common sense.) But workfare is the policy that dare not speak its name. Its introduction under its American label would constitute going "too far". That is why Conservative ministers strenuously deny that any such plan is in their minds. The fact that the Government is beginning to introduce it, under the guise of expanded training schemes and a programme of steady pressure on the unemployed to be available for work, is neither here nor there.

Or take the National Health Service. Pet plans for handing health care to the private sector are out of court. Encouraging more use of private hospitals is not. Looking the consultants in the eye and asking whether perhaps they are a trifle overpaid is politically possible; paying the nurses less than their review body awards them is not.

Since 1979 it has been the special good fortune of the Prime Minister, Mrs Margaret Thatcher, to know where this ever-shifting boundary lies. Perhaps it has been delineated for her by others, such as Lord Whitelaw, whose illness has taken him from her side. It may have been forced upon her by circumstance, as in the Westland case, when she had at least one foot over the boundary of "too far". But whatever the proximate cause, she has not yet completely overstepped the fatal line.

This is remarkable. After three election victories in a row, Mrs. Thatcher's determination and forceful manner have put more personal executive power in her hands than has been exercised by any peacetime Prime Minister. You can see it in the shining, adoring faces of her party workers (as at the Conservative central council meeting at Buxton the other week); on Monday night, when she won that crucial vote on the community charge (poll tax) in the House of Commons, you could see it in her own face, as it changed in a micro-second from sombre uncertainty to laughing triumph. Many people would have become so drunk on that amount of power that they would have made some dreadful error of judgement by now, and possibly have been tumbled out of office as a result of it. Not Mrs Thatcher. She is blessed with the ability to know when a move would be "too far". If she loses that ability she herself will be lost.

That is why the conservative revolution will continue, in spite of a series of mini-rebellions on her own backbenches over the past few weeks.

The closest the Government has come to "too far" was on Monday's vote on the poll tax — the levy of which even the most destitute in the land will have to pay at least two tithes. But with a 25-vote margin of victory the Prime Minister could comfort herself with the thought that the vote had not taken her too close to the precipice. After all, the recent manifestations of ethical discomfiture follow a Budget that many people would have judged way out of line even two or three years ago — yet the top rate of income tax has been reduced to 40 per cent and social welfare payments to some of the worst-off have been trimmed, all within a few weeks of one another. The Government has survived.

My guess is that if Downing Street does one day lose its sense of balance it will be over some security issue — the over-assiduous prosecution of a leak, perhaps, or the introduction of too restrictive a bill on secrets. A more mundane test of the Prime Minister's ability to know when to *stop* may, however, arise quite quickly in the House of Lords. The issue would, of course, be the poll tax. For it is still possible to go too far on this issue.

Let us assume that when the present bill is put before their Lordships they so alter the nature of the community charge that it becomes an embryonic local income tax. That would be the effect of "banding" the charge — increasing the amount of poll tax payable by higher rate income tax payers and halving it for non-taxpayers — as proposed by the doughty Conservative backbencher Michael Mates in the Commons on Monday. Banding would be fairer, but it would sink the principle of what the Prime Minister has described as the flagship of her legislative programme.

In such circumstances Mrs Thatcher's reaction would depend upon her sense of what was politically possible. The poll tax is increasingly unpopular, not least because it is seen to be unfair. Mr Mates and his supporters may have lost the vote in the Commons on Monday but the moral victory was theirs. No one who was present at the debate could doubt that the Government got by on a combination of the votes of its own placemen, would-be placemen, and several blindly loyal supporters. The latter were not sufficiently in evidence to carry the day unaided by the former. So if the Lords were to insist on the degree of fairness proposed by Mr Mates a sensitive government might accept that with good grace.

This is, however, a revolutionary Government. Its leader's avowed purpose is to "change everything". Both the Prime Minister and her Secretary of State for the Environment, Mr Nicholas Ridley, sincerely believe that it is right for every voter, however destitute, to pay at least something towards local government services, and that the more voters who pay the entire flat rate amount the better. To them the alternative might be the continual re-election of high-spending left-dominated Labour councils.

And there lies the rub. For the further you move away from a flat rate poll tax the less effective is the disciplinary effect upon low-income voters. The tax *must* be unfair if it is to have the desired effect. (In fact "loony" councils are already being curbed by rate-capping, removal of housing stock, potential removal of education powers and many other measures. The poll tax is a second pair of braces on top of belt, braces and a rope around the waist.)

The Government in its present mood might therefore seek to override a Lords resolution that "banded" the poll tax. It would presumably go for a further vote in the Commons. Constitutionally speaking, that would suffice, if the Government won the vote. Too far?

It is already being argued that the hereditary and manufactured peers should not override the will of the people as expressed through their democratically-elected representatives in the Commons. It is true that the Lords is not a democratic institution, but the argument remains humbug. On a free vote the democratically-elected representatives would reject the entire poll tax. In any event, the Conservatives won only 42 per cent of the vote last June. Taking into account non-voters, they registered the support of under 32 per cent of everyone over 18 who was not mad or a peer; this figure falls below 30 per cent if you put the general election votes for Mr Mates and his supporters into the opposition column.

Mr Ridley would protest that the Conservative's 1987 manifesto provided for a flat rate poll tax. It refers to a "fairer Community Charge" to be levied at a "fixed rate". Hang on to that for a moment. In the same manifesto the Government says that "child benefit will continue to be paid as now." Since the election it has interpreted those words to mean that there need be no annual increase in the benefit. The manifesto refers to entire boroughs opting out of the Inner London Education Authority — the post-election plan is to abolish the ILEA altogether. If the Lords choose to interpret "fairer" and "fixed rate" as a fixed *percentage* rate for the poll tax rather than a flat rate they will be just as close to the Conservative manifesto on this matter as the Government has been on child benefit and ILEA.

In any event, the Lords can take comfort from Lord Hailsham's observation, in a talk given last November, that "the British constitution is one of utmost flexibility." They too are restrained only by their sense of where the line of political unacceptability lies. The interesting question is whether the flexibility shown by Mrs Thatcher's Tory revolutionaries over the past nine years will be maintained if the Upper House turns out to be too uppity.

Lombard

Tilting at Tory monopolists

By John Plender

FOR THE foreign currency traders who have been piling into sterling in recent weeks, the Thatcherite miracle is taken as read. For foreign tourists, on the other hand, it is a much more confusing affair. Why, they persist in asking, are the London underground stations so squalid, the phone boxes out of order, the roads full of potholes and the health service in disarray?

Foreign businessmen, meantime, are bemused that the most frequently cited example of the dramatic turnround in British industry – the British Steel Corporation – is squarely planted in the ideologically unsound public sector. And why, they ask, is the British government is so antipathetic to a market solution to the future ownership of Rover Group?

The answer, on all counts, is that the approach of Mrs Thatcher's government towards public and private ownership is a muddle – a mixture of blind prejudice against the public sector and half-hearted commitment to competition. And that represents an outstanding opportunity for Labour's current policy review. If Labour's trade and industry spokesman Bryan Gould can persuade his party to junk its commitment to nationalisation and shed its image of being soft on monopolists and producer interests, much Tory policy on industrial affairs could be shown up for the atavistic nonsense it really is.

Consider the potential political gains for Labour. The popularity of the British Telecom privatisation derived chiefly from the underpricing of the original issue. The profits made by the army of small investors that subscribed for the shares and then worried about Labour's pre-election commitment to renationalisation are by now a distant memory. Not so the general dissatisfaction about BT's quality of service. Despite the rather fraught attempt by British Telecom to improve its image, there remains a rich vein here for the opposition to tap. There is also a genuine problem of industrial structure to be confronted: how to enhance the competition for British Telecom and improve the regulatory framework.

Then we have the arrogant monopolist, British Gas, which has been notably economical in its provision of information to its hapless regulator, the Office of Gas Supply (Ofgas). As the corporation's overseas diversification plans run into one obstacle after another, the impression is confirmed that the most impressive talent of the management – giving dictation to government ministers, especially when Peter Walker holds the pen – doesn't travel. Gas prices are up six per cent this month, which is all good grist to the opposition's mill.

Yet the increase in gas prices is as nothing compared with the 15 per cent price increase over the next two years that the electricity industry is being required to impose in advance of privatisation at the government's behest.

Despite the fact that domestic electricity prices have fallen by 15 per cent in real terms over the past five years, the electricity industry's current cost pre-tax profits have more than doubled to £714m over the same period. Many in the industry regard the scale of the price increases as far in excess of what is needed to finance the industry's new power station programme. The Confederation of British Industry is similarly unconvinced by the government's arguments.

In short, the electricity industry's profits are being fattened up to swell the proceeds of privatisation when the government's own finances are healthier than they have been for years; and the process of privatising state monopolies threatens to institutionalise a form of inflation that the public sector ownership had gone a long way towards eradicating.

With the bull market over, many voters may now be more concerned about inflationary threats than excited about popular capitalism. Freed from its historical commitment to nationalisation, Labour might conceivably turn the tables by encouraging the electorate to identify the Tories with grasping monopolists and producer interests. Not an easy trick to pull off; and even if the baggage of history can be dumped, there is a risk that Labour will err on the side of heavy-handed regulation rather than competition. But the prize is surely worth shooting for.

Letters to the Editor

Decisions spaced out

From Mr Phillip Oppenheim MP.

Sir, The Government has not effected a "double U-turn" on space policy (Leader, April 19). It has carefully considered the possibilities and practicalities of the many joint ventures on offer, and decided which to invest in. This measured approach has resulted in some modification to the projects and hence a better deal for UK taxpayers.

It is understandable that the companies which stand to benefit (and their lobbyists), as well as a large and vociferous bunch of space enthusiasts, should be disappointed. But when we are only just beginning to get our basic industries right, it would be rash to divert resources into highly speculative and competitive space ventures. We may lose some scientists to overseas competitors, but not as many as would have been sidetracked from the rest of industry were we to pump money indiscriminately into these projects.

It is also arguable that one reason why US electronics lost out to Japan in many fields is that they found it more profitable to rely on the easy pickings offered by state-backed space projects than to compete in world markets.

Brabazon, Blue Streak, TSR2, *Concorde and Nimrod* were *all* eagerly promoted in their time, but all proved commercially unviable or financially unsustainable. Their cost to the rest of the economy was very dear.

Phillip Oppenheim,
House of Commons, SW1

Principles do not always pay

From Mr Barry Clark.

Sir, You are less than fair to Michael Mates (Leader, April 20). You imply that ministerial status would occupy apparently idle time sufficiently to prevent him inciting further rebellion.

However, the espousing of principled objections is not the conduct most likely to be rewarded by long service as a minister under the present administration - *viz:* many of the colours nailed to Mr Mates's mast on Monday night.

In any event, the undoubted achievements of this Government could well be undermined if it believes itself to be right beyond question in every detail of policy, and then issues the call to honour and salaried service at the rare sign of effective opposition.

Barry M. Clark,
26 Regent Street,
Clifton, Bristol

Insider dealing in a few words

From Mr Ralph Instone.

Sir, Justinian's critique of the recent ruling of Judge Gerald Butler QC (April 18) is vitiated by an erroneous belief that section one of the 1985 Act creates a single offence. In fact it creates two quite distinct offences.

Where an individual is, or has within the preceding six months been, "connected with" a company, he commits an offence if he deals when he "has" price-sensitive information (s. 1(1) and (2)). How he came by it is immaterial. But where, as in the case before Judge Butler, the dealer is not so connected (and so is not an insider), he commits an offence *only if* "he knowingly obtained" that information from an insider (s. 1(3)).

If this phrase is ambiguous (and it is not clear from the press reports whether the judge thought it was), the ambiguity must be resolved in favour of the more lenient interpretation, because the section is penal in character.

This well-established principle was applied by Upjohn J (as the *future Lord of Appeal then was*) in an analogous case in 1953, when he held that the issue of fully-paid debenture stock as consideration for an acquisition was not "borrowing" for the purpose of the Control of Borrowing Order 1947.

Justinian apparently favours "a liberal purposive" interpretation of a penal section. Even if this heretical approach were justifiable, it would remain necessary to assign a meaning to "knowingly obtained" which differs from that of "has", and so explains the change of language between the two offences.

Ralph Instone,
7 New Square,
Lincolns Inn, WC2

Roll out that map

From Mr Gordon Tymm.

Sir, George Stern (Letters, April 19) suggests that Italy is set to become "unreachably ahead" of the UK. Maybe - although that's not my experience. Can I suggest, though, that he will find Italy even more unreachable if he continues to seek it in north west Europe?

Gordon Tymm,
6 Ednaston Court,
Yeldersley Lane,
Brailsford, Derbyshire

Empress of ice cream

From Mr Adrian Hewitt.

Sir, Neither Christopher Parkes, your consumer industries editor (April 19), nor the Shropshire trading standards officer who wrote the report "Ice Cream Technology: Its Use and Abuse" seems keen to identify the food technologist who developed the process by which ice cream could be puffed up with large amounts of undeclared air.

Yet the author of a paper on the elasticity of ice cream, written as an employee of J. Lyons at Cadby Hall in 1950, was our present Prime Minister.

This information comes from Geoffrey Cannon's Politics of Food (Century Hutchinson, 1987). He credits Mrs Thatcher with the invention, adding that there is no reason to suggest that she intended to defraud the public.

Adrian P. Hewitt,
16 Framfield Road, N5

Presumptuous to use the Prime Minister to advance one firm's interests

From Mr James Moorhouse MEP.

Sir, You *published a six-page* series of advertisements from the UK subsidiary of the Japanese electronics firm, Epson (April 12). These featured a Japanese woman dressed in the clothes of Margaret Thatcher. As one turned the pages, her facial features changed progressively into those of the Prime Minister.

The message of this spectacular advertising blitz was that the *forthcoming* EC anti-dumping duty on Japanese matrix dot printers would create — *inter alia* — unemployment in Britain, cut investment in Britain, and generally retard the process of international free trade.

Setting aside the provocative and presumptuous use of the Prime Minister to advance the particular commercial interests of one firm, it is important to correct the grossly misleading impression given to your readers that anti-dumping duties have any of the effects described.

Such duties have frequently been applied to Japanese and, indeed, other countries' goods in the *past* without *the* adverse effects which Epson claims. Anti-dumping duties are perfectly consistent with free trade. They are imposed whenever there is conclusive evidence of foreign companies selling products at below their domestic prices, and doing so in a way which causes "material injury" to European producers in the process.

Anti-dumping action is provided for in law - as proper redress against an unfair trade practice - and is fully sanctioned by the GATT, the adjudicating body for open trade. Anti-dumping provisions exist in the law of all main GATT contracting parties for precisely the same reason - to police predatory pricing and prevent market dominance by subsidised exports.

Every time — so far — that Japanese producers have tried to *challenge anti-dumping duties* in the EC, their position has not been upheld by the courts. Epson and firms like it may employ people and invest in Britain - and good luck to them. But it is disingenuous to claim that by investing in UK plant to assemble *or*, worse still, simply sell dumped Japanese goods, they are doing us some enormous service.

Dumped goods (which by definition are causing "material injury" to domestic producers) are goods putting domestic producers out of business - so jobs are lost as well as gained when companies like Epson set up shop. And — since the basic manufacturing of dumped products takes place abroad rather than at home — if anything, dumping does usually involve a considerable net job loss.

Moreover, anti-dumping duties, *pace* Epson, seem actually to encourage investment in Britain. Foreign firms are induced to come on-shore to avoid the duties imposed on them. Much recent Japanese investment in the UK *has been directly attributed, in* your newspaper and elsewhere, to this effect. Will Epson claim that if these duties are imposed, it will stop investing in Britain? I doubt it.

If, instead, Epson and its ilk are prepared to stop dumping, let them take their place with other "British" producers competing fairly on our domestic market. If not, they should be penalised for abusing the free trade system they are so keen to extol. Lord Young (whom Epson quotes) may well have said that: "We need to shift the perception of Japan from problem to major opportunity", but the Government rightly has seen that anti-dumping action, which it endorses, exists independently of trade policy towards Japan.

What Mrs Thatcher — so mischievously misrepresented in these advertisements — realises is that anti-dumping action is the antithesis of protectionism. It is the safeguard of the framework conditions for open trade, in ways clearly defined by GATT. As such, it should be supported and defended against the well-financed claims of interested parties caught in the act.

James Moorhouse,
European Parliament,
14 Buckingham Palace Road, SW1

FINANCIAL TIMES

Friday April 22 1988

Gorbachev gathers support in debate over reform

BY QUENTIN PEEL IN MOSCOW

A FUNDAMENTAL debate raging in the Soviet press on the nature and direction of Mr Mikhail Gorbachev's reform programme appears to have reached the highest echelons of the Communist Party in recent days. The Soviet leader's supporters are claiming at least a temporary victory.

Top party officials from all 15 republics, as well as party leaders from the territorial and regional party committees, have been summoned to the Kremlin over the past 10 days, while backers of *perestroika* (restructuring) built up a crescendo of support in the country's leading party newspapers.

Rumours have been rife in Moscow's diplomatic community that the whole affair amounts to a major reversal for Mr Yegor Ligachev, the second most powerful man in the Kremlin, who has increasingly been identified with efforts to restrain the pace of reform. Latest reports, as yet without any visible sign of substantiation, suggest he may even lose one of his jobs – he is responsible for party ideology.

What is clear is that the debate over a newspaper article published more than a month ago in Sovyetskaya Rossiya, the Communist party newspaper of the Russian Federation, has touched raw nerves in the whole internal debate on reform.

In spite of the fact that the public debate has been completely one-sided – practically every comment has condemned the original article – the fury of the response shows that it was seen as a real challenge to Mr Gorbachev's policies.

In the original article, Leningrad teacher Ms Nina Andreyeva urged restraint in the reform process, and said the achievements of the past should not be denigrated.

Three weeks later the article was denounced in Pravda, the Communist Party newspaper, and subsequently pilloried in letters and articles in many others. Pravda described the article as "a manifesto of the anti-*perestroika* forces."

Yesterday the party leadership came in for renewed criticism for taking so long to react – leaving time for the original article to be circulated to the provincial press, photo-copied for distribution at party meetings and even for one debate on the subject in Leningrad to be televised.

The newspaper Komsomolskaya Pravda, published by the party youth wing, called the delay in responding "three weeks of stagnation" which played into the hands of conservative forces. "The anti-*perestroika* forces are not leaving the road so simply," the newspaper said. "More than that. In those three weeks, they were witnesses to our indecisiveness."

Commercial ties with China are flourishing, reports **Andrew Whitley in Jerusalem**

Israel exploits its clandestine link

Israeli aircraft workers protest (above) at the scrapping of the Lavi jet fighter project. Now western arms experts believe China may be developing its own version. Chinese forces (right) prepare to test-fire a Silkworm missile. Israel has threatened to destroy those sold by Peking to Saudi Arabia

ISRAELI PROTESTS over the sale of Chinese ballistic missiles to Saudi Arabia, coupled with threats to destroy the missiles unless they are removed, are rich in ironies. For the Jewish state has covertly become probably the most important source of technological support for the fast-growing Chinese arms industry.

The absence of diplomatic relations between the two countries has been no bar to an export business that some press reports speculate has been worth several billion dollars to Israel over the past decade, in completed or promised orders. The lion's share of these revenues is believed to have come from defence-related contracts.

According to Israelis familiar with a trade about which none are willing to talk openly for fear of upsetting Chinese sensibilities, nearly 100 joint ventures with *China are under negotiation*, from agriculture to textiles and chemicals. The Chinese are said to be particularly anxious to benefit from Israel's scientific expertise.

The two countries were on the point of establishing diplomatic relations in the 1950s but, under US pressure, Israel pulled back from links with a Communist country.

For years business was conducted almost exclusively through third parties based in Hong Kong, Singapore and Western Europe. Dummy companies and "cut-outs" would be set up to handle the paperwork, and Jews with foreign passports would be used to travel to China for meetings with government officials.

There has still been no official acknowledgement by the Chinese Government of the well-recorded fact that hundreds of Israeli technicians are working in China at any given moment. But the clandestine relationship is slowly coming into the open. Last June, the Foreign Ministry in Jerusalem *publicly admitted* for the first time that commercial ties with the Communist giant were flourishing. Trial imports of Chinese steam coal have begun, following a meeting in Paris between Mr Moshe Shahal, Israel's Energy Minister, and a senior Chinese official.

Direct telephone links, set up without any fanfare two years ago, have done a great deal to ease contacts and reduce the need for the Hong Kong offices of Israeli trading companies such as Koortrade.

Among those who played a large role in getting the trade going are Mr Shaul Eisenberg, a multimillionaire whose speciality is arms, and Mr David Buxbaum, *a Canton-based American commercial lawyer*, who has set up many of the civilian joint ventures. In 1979, in a celebrated break with normal practice, Mr Eisenberg secretly flew a group of top Israeli executives into Peking in his private jet, to lay out Israel's wares.

The response on the military side was gratifying. Israel's strength was the revamping and modernising of outdated weapons systems – retrofits and upgrades, in the jargon – and it had developed *extensive experience of* Soviet weaponry captured in its 1973 and 1982-85 wars; strengths that dovetailed neatly with the needs of the People's Liberation Army.

An early contract, subsequently expanded, was for the upgrading of China's Soviet-made T-69 tanks with a 105mm gun, originally manufactured by the state-owned Israel Military Industries (IMI) organisation under licence from the British Royal Ordnance Factory.

Later additions to the Chinese tanks are believed to have included night-fighting devices, laser sights, fire-control systems and, possibly, new add-on armour protection. The provision by Israel of tungsten-headed, armour-piercing shells capable of penetrating the frontal armour of Soviet T-72 tanks completed the picture.

Separately, IMI is reported to have sold to the Chinese armed forces a 60mm hyper-velocity gun suitable for mounting on armoured vehicles, or for towing.

Details of contracts that other companies such as Tadiran, a leading defence electronics concern, and Israel Aircraft Industries (IAI), a multi-faceted conglomerate, have reputedly won in China are hard to establish. But Western defence experts believe China may be developing a new *combat aircraft based on the cancelled Israeli Lavi*, for which state-owned IAI was the contractor.

There has also been talk, firmly denied by Mr Yitzhak Rabin, the Israeli Defence Minister, of co-operation in the field of ground-to-ground missiles: an advanced version of the CSS-2 *intermediate-range missile China* recently delivered to Saudi Arabia.

Not everything has been plain sailing, as was revealed last summer when IMI threatened to take legal action against Norinco, the giant Chinese arms maker, for an alleged infringement of Israeli copyright on their well-known *Uzi submachine gun. Ironically*, Norinco is Israel's principal partner in the defence sector.

Despite regular, low-key contacts at the United Nations and *in Western European capitals* over the past two years among senior officials, full diplomatic relations still appear to be a long way off. The launch of an international conference on the Middle East, at which China as a permanent member of the UN Security Council would probably be represented, could transform the outlook. But, *as recently as* December 1, Mr Reuven Merhav, a former Mossad secret service man posted to Hong Kong as Israel's Consul-General to nurture *the budding* relationship with Peking, said that it could take five to seven years before the Chinese began to think about establishing any formal ties.

Rather than any dramatic breakthrough in the near future, the likelihood is that Israel's ties with China will develop in much the same way as they did with Iran under the Shah in the 1970s. There, also in the absence of diplomatic relations, the precedent was established of a trade legation with independent powers which helped promote Israeli exports – mostly agricultural technology and arms – and looked after vital oil imports.

China has already taken Iran's former place as Israel's most *important clandestine arms customer*. And, if negotiations on large-scale coal imports from China for energy-starved Israel are successfully concluded, the *symmetry will be complete.*

ACEC and Alsthom agree to set up joint subsidiary

By Tim Dickson in Brussels and Paul Betts in Paris

ACEC, BELGIUM'S heavily loss-making electrical engineering and electronics company, announced yesterday it was merging a key area of its activities into a joint subsidiary with the French company Alsthom. The move is part of a wider reorganisation plan and drive to find new industrial partners.

The Belgian concern, which has proved a major financial headache for its leading shareholder, the embattled holding company *Société Générale de Belgique*, said yesterday that its electromechanical and transport businesses would be put into a jointly owned subsidiary with Alsthom and that negotiations on combining "all aspects – commercial, social, technical and financial" would be conducted between now and the end of June.

Moreover, ACEC confirmed that contacts had been made with potential partners for other divisions of the company but that no "concrete propositions" had yet been made.

The first step of the new ACEC strategy will be to turn the business into a holding company with five separate divisions. These will be electromechanical; transport; industrial controls; space, defence and telecommunications; and turbopower systems.

***The first two divisions*, which include ACEC's nuclear energy activities and subway projects, are the subject of the deal with Alsthom.**

ACEC's statement pointed out that the European Community's policy of opening up public markets in energy, transport and telecommunications had already inspired major tie-ups between leading companies in these sectors.

He specifically cited the examples of Asea Brown Boveri, Westinghouse and AEG (in transport) and Westinghouse and Siemens (in automation).

An official spokesman for the group said the board had decided that its activities were *too diversified to find a single* partner – hence the decision to split it into five parts.

ACEC's financial problems were illustrated earlier this *week when the group* announced unconsolidated losses, including restructuring costs, of BF590m ($17m) on turnover of BF10.66bn.

The company suffers from a poor financial structure and overmanning, notably at its factories in Charleroi, a problem compounded by the strength of the French-speaking Socialist party in the area.

Mr Jean-Pierre Desgeorges, the Alsthom chairman, confirmed last night that the CGE-controlled French heavy engineering group was planning to acquire a majority holding in the railway and energy-generating activities of ACEC.

But he said that no definitive agreement had yet been reached. The ACEC businesses to be acquired have annual sales of about FFr700m ($124m). Alsthom, with annual sales of FFr22.7bn, is one of the world's leading power-generating equipment groups and the world's biggest producer of railway equipment.

Mr Desgeorges said the proposed deal with ACEC was part of Alsthom's strategy to expand internationally through commercial and industrial agreements with other partners.

At the same time, he said, Alsthom remained alert over the possibility of a major alliance with other heavy engineering groups, especially in Europe.

Alsthom, which reported net profits of FFr435m last year has, like other big engineering groups, sought international partnership deals following the merger last year of Asea of Sweden with the Swiss Brown Boveri group.

Grotesque Gulf tourist attraction of Fao

Continued from Page 1

against Kuwait. It provided a bridgehead from which Iran had the potential to enhance its threat to Basra, Iraq's second city only 60 miles away – although the Iranians were never able to capitalise on that in practice.

Possession of a foothold on Fao also gave the Iranians much propaganda mileage. In addition to sandbagged subterranean military command centres they set up political operations on the peninsula, including the purported headquarters of the Supreme Islamic Council of Iraq, as a sort of government-in-exile headed by a dissident Iraqi Shia cleric, Mohammad Bakr al-Hakim. Although the Iraqi population of Fao was evacuated soon after the Gulf War began in 1980, the traces of Iran's proselytising are everywhere apparent in the south of the peninsula.

Spray painted Persian script loops its way along the facades of those buildings left standing. One wall carries a cartoon depicting Iraqi President, Saddam Hussein, his chest emblazoned with a death's head and a Star of David, being led in chains by Uncle Sam towards Iran: thus encapsulating most of the themes of Iran's propaganda against its mortal enemy.

But by yesterday, there was no other human trace of the Iranians. There were plenty of tanks, wrecked and up-ended in the marshland between the broken Iranian earthworks and barbed wire. There were women's clothes, scattered pathetically along the roadside. There were remnants of Iranian soldiers' uniforms, the odd helmet, gas mask or solitary boot.

But the corpses, from a battle which the Iraqis maintain claimed heavy Iranian casualties, were nowhere to be seen: all bulldozed away from the scorching sun.

The Iraqi forces now seem in relaxed mood despite the threat of an Iranian counter-offensive and the persistent boom of shellfire. As endless troop and tank carriers processed along the rutted roads raising clouds of powdery dust, soldiers hung their washing out on the line or took an impromptu bath in their underwear. Ever conscious of the television cameras, some staged theatrical desecration of the Iranian flag and shredding of Iranian propaganda.

Big questions remain as to exactly how the Iraqi counter-offence was consummated after the failure of numerous earlier efforts to regain full control of the peninsula.

Despite Iraqi claims that they had confronted "two or three" Iranian divisions on Sunday and Monday, there was strong circumstantial evidence that the Iranians had run down their forces in the peninsula in recent months, perhaps redeploying them on the more active northern front.

● The Pentagon said yesterday that 13 US warships will leave for rotation duty in the Gulf next week, but refused to say if Washington is increasing its fleet.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	17	63	Dubrovnik	S	17	63	Malta	C	18	64	Rhodes	S	18	81
Algiers	F	21	70	Edinburgh	C	7	45	Manchester	R	12	54	Rio de Jo	C	29	84
Amsterdam	C	12	54	Faro	F	21	70	Manila	F	37	99	Rome	C	18	64
Athens	C	18	64	Florence	-	-	-	Melbourne	S	19	66	Salzburg	C	14	57
Bahrain	C	34	93	Frankfurt	F	15	59	Mexico City	F	28	82	San Francisco	C	16	61
Bangkok	F	34	93	Funchal	F	21	70	Miami	F	26	79	Seoul	S	13	55
Barcelona	S	19	66	Geneva	R	14	57	Milan	S	22	72	Singapore	F	35	91
Beirut	C	18	64	Gibraltar	C	19	66	Montreal	C	8	46	Stockholm	Sn	0	32
Belfast	C	12	54	Glasgow	R	7	45	Moscow	F	13	55	Strasbourg	F	19	61
Belgrade	F	20	68	Guernsey	C	14	57	Munich	C	13	55	Sydney	F	20	68
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Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Reagan warns Moscow

Continued from Page 1

siles and mobile land-based missiles.

Soviet officials have blamed the US for dragging its feet on the whole issue of how to verify such a partial arms *reduction*, but Mr Charles Redman, the US State Department spokesman, insisted yesterday that Mr Shultz had come to Moscow to make "every effort to make all possible progress by the summit.

Significantly, Mr Reagan made only passing reference to arms control in his speech, and then his comments contained no new ideas – only a reassurance to his *critics that the President* has not and will not allow arms control to dominate the US-Soviet dialogue. "In the past the full weight of the Soviet-American relation*ship all too often semed to rest* on one issue – arms control, a plank not sturdy enough to bear the whole platform of Soviet-American relations", he said.

The Administration's discomfort over right-wing opposition to its arms control talks with Moscow and the prospect of an agreement at the May summit has been evident in official briefings to reporters.

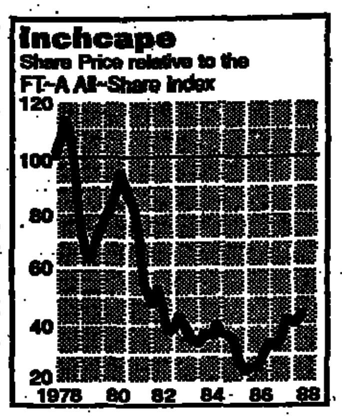
THE LEX COLUMN

Giving the market too much credit

There was something self-defeating in the foreign exchange market's reaction to yesterday's appalling bank lending figures. The argument went that private sector credit growth of £4bn or so a month must rule out lower base rates, at least for the moment. Yet sterling's giddy response has merely increased the chances of a cut in rates, if not at DM3.16, then this side of DM3.20. All this must be highly confusing to those who still watch the real economy: a year ago excessive bank lending was a signal to sell sterling on the basis of damage to the balance of payments; now all that matters is how the numbers affect the Government's policy muddle of trying simultaneously to control inflation and exchange rates.

Meanwhile, there is no excuse for the sheer scale of the lending increase, which puts the recent fall in retail sales firmly into context. It was all very well for the Treasury to try blaming it on mortgage lending (particularly cheeky given its recent promotion of M4, which includes building society deposits). In fact, it is not only mortgages that are rising rapidly, and even if it were, mortgage lending is inflationary too. Neither can the numbers be excused as a monthly aberration; indeed, they will probably get even worse as the Budget's changes to mortgages and tax rates come into effect.

More worrying still is the composition of the lending, which seems heavily skewed towards the financial rather than the manufacturing sectors. The market might do well to remember what happened in the early 1970s, the last time that the nation was borrowing to support property and financial markets.



Institutional cash

Yesterday's statistics for UK institutional cash flow in the fourth quarter bring out one rather depressing contrast. Pension funds charged expensively into equities in the first three quarters, and when equities were cheap in the fourth quarter they piled into cash. The insurance companies chose the fourth quarter to make almost half of their UK equity purchases for the year, and held virtually no cash at all. This will have much to do with the fact that pension funds are scrutinised on a quarterly basis, life companies not. Yet again, performance measurement harms performance.

On the face of it, the statistics have a worrying implication for the market overall. While the institutions dumped £5.7bn worth of foreign shares in the fourth quarter, they put £3.8bn into the UK equity market, which fell apart regardless. But then, much of that was money committed before the crash, for BP, Blue Arrow and the rest. Such calls for new equity totalled around £5.5bn in the quarter, which after deducting the £1.7bn or so given back in cash takeovers comes to £3.8bn precisely; so perhaps the institutions put scarcely any discretionary money into the market at all.

The cash content of institutional portfolios is presently put at somewhere around six or seven per cent. Though this is well above the historic average, it does not follow that the equity market is about to be deluged with cash. There is a fine line between fund managers finding high cash holdings soothing or worrying, and if present volume in the equity market is a guide, they still lean to the former.

Inchcape

When the market gets worried, it gets particularly worried about Inchcape. Its shares underperformed the All-Share index by a quarter in the crash, and even yesterday's 19p rise to 738p, in response to a 35 per cent increase in profits, only brought the price-relative back to where it was before October.

This is scarcely surprising, given Inchcape's heavy dependence on the whims of the global consumer: with half its profits coming from motor vehicle sales and services, and a large chunk of the rest from the export-orientated economies of the Far East, recession spotters are keeping a close eye on the company. For now that the grossest inefficiencies of Inchcape's colonial past are behind it, the prospects for continued rapid growth are only as good or as bad as the world macroeconomic outlook. Last year this worked to the company's advantage – though the benefits of vastly improved cash management cannot be gainsaid – but this year is anybody's guess.

If one expects a $1.90 pound, a downturn in the so-far buoyant European car market and sluggish American growth in 1988, then a prospective p/e of around nine is no more than is merited. But as forecasters chase a US recession further and further into the future, and European car sales refuse to turn down as quickly as expected, 1988 looks a better and better year for Inchcape.

Securities firms

The shares of Salomon have already risen by a third from their post-crash lows, and those of Nomura have jumped by almost 80 per cent. The latest profits from two of the world's biggest and most profitable securities firms give further evidence of how surprisingly well the *global industry is coping with the* decline in trading volumes. They are also another sign that the bigger firms, with established market shares, are faring better than many of their smaller competitors, which have yet to find profitable niches to pay for the inflated overheads they inherited from a five year old bull market.

A one-fifth drop in Nomura's pre-tax profits for the six months to the end of March is a creditable performance, given that its brokerage commissions fell by a third, and along with Daiwa it is continuing to pull ahead of Yamaichi and Nikko, the smaller of the Japanese Big Four. Meanwhile, Salomon has reversed nine months of declining profitability with a 16 per cent rise in its first quarter net income, to $173m. This is more than twice as much as US rivals like Merrill Lynch or Shearson Lehman Brothers made in the same quarter, and is evidence that after a rather shaky period, Salomon is re-emerging as one of the obvious survivors of any further shake-out on Wall Street. But despite the recovery in its profitability, it is worth noting that it is still earning only half as much as Nomura on a similar revenue base, and increasingly this will be its major competitor.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday April 22 1988

GM profits reach $1.1bn on strong car performance

BY ANATOLE KALETSKY IN NEW YORK

GENERAL MOTORS, the world's biggest motor manufacturer, appeared to suffer a setback in the first quarter, despite the car division reporting higher net profits of $967m, or $3.11 for each common share. Although the year-earlier automotive profits were originally reported as $834m or $2.62, there was a change in inventory accounting introduced in the third quarter.

After adjusting for this accounting difference, comparable 1987 profits would have been $922m or $3.26 a share, implying an earnings decline of 4 per cent.

Meanwhile, the first-quarter earnings attributable to GM's Electronic Data Systems unit rose 30 per cent, to $36.8m or 73 cents for each special GM-E share, and earnings from GM Hughes Electronics increased by 41 per cent or 63 cents per GM-H share. Earnings for the GM group as a whole were $1.092bn – 18 per cent up on the year, disregarding the accounting adjustment, or 5 per cent down, if the accounting adjustment was included.

A large part of the underlying deterioration in the automotive business's performance was due to lower profits from GM Acceptance Corporation, the company's financing arm. GMAC's first-quarter earnings fell to $124m from $354m, as a result of lower interest margins in the increasingly competitive auto-financing business.

GM's sales of vehicles to dealers also fell by 5.4 per cent to 1.984m units. As a result, total revenues were almost unchanged at $26.4bn, compared with $26.1bn last year.

However, declining dealer sales, which the company said were required to work off excess inventories at the beginning of the year, belied a substantial improvement at the retail level, both in the US and overseas.

Retail sales of GM cars in the US increased 12 per cent over the first quarter of 1987, while US truck sales grew 24 per cent and GM's share of the US car market improved to 37.5 per cent, from 33.4 per cent. Overseas sales of cars and trucks combined jumped 15.5 per cent to 545,000 units.

Schlumberger spurts to $101m

BY OUR NEW YORK STAFF

SCHLUMBERGER, the leading US oilfield services company, yesterday reported a sharp improvement in earnings for the first quarter, largely because of a moderate recovery in drilling activity in the US.

The once high-flying group, which is struggling with a deep recession in its wireline or electronic oilfield logging business, was helped by good demand for its measurement and control systems outside the oil industry.

First-quarter earnings were $101m or 37 cents a share, against $5m or 2 cents a share for the first three months of 1987. Revenues improved 18 per cent to $1.3bn.

North American oil and gas exploration, which collapsed with the fall in oil prices two years ago, has picked up from its rock bottom last summer. Schlumberger reported a 61 per cent increase in North American wireline revenues from the devastated levels of first-quarter 1987.

Overall, oilfield service revenue rose 24 per cent to $662m, according to Mr Euan Baird, Schlumberger's chairman.

Schlumberger's non-oilfield business increased revenues by 18 per cent to $588m, with part of the rise attributable to Neptune, a water meter maker acquired last year. Schlumberger Industries, which specialises in electronics and metering, reported record earnings, revenues and orders, Mr Baird said.

AMR income soars to $68.4m

BY OUR NEW YORK STAFF

AMR trebled its profits in the first quarter, due to sharply busier traffic and higher fares at American Airlines, its main operating subsidiary, which is a leading US carrier.

Net profits for the three months ended March 31 were $68.4m or $1.12 a share, against $19.9m or 34 cents a year earlier. Revenues increased 40 per cent to $1.97bn from $1.63bn, reflecting more flights, higher load factors and better yields in terms of revenue per passenger mile.

Mr Robert Crandall, AMR's chairman, said: "Market conditions were a positive factor for strong earnings. Normally the first quarter is a period of weak traffic and rather broad discounting. This year, we experienced both strong demand and strong revenues."

The company acknowledged that its "frequent flier" programme was one stimulant to traffic. Along with other airlines, it required programme members to travel at least once in the first quarter to qualify for generous year-long bonuses.

Although its growth in capacity was curbed by delays in the delivery of new aircraft, available passenger seat miles still rose 20.2 per cent to 23.5bn in the quarter. Its load factor edged up 0.7 of a percentage point to 62.7 per cent, while its break-even passenger load factor eased by 0.8 of a point to 57.2 per cent.

Operating expenses per seat mile increased 5.5 per cent to 7.68 cents. The airline said it experienced, however, some favourable trends on costs, and productivity rose sharply.

Record quarter for RJR Nabisco

By Roderick Oram in New York

RJR NABISCO has reported record first-quarter earnings, with the help of a strong performance from its food businesses and to a lesser extent its worldwide tobacco operations.

Net profits for the three months ended March 31 rose 27 per cent to $269m or $1.09 a share, from $212m or 83 cents a share. Sales grew 8.7 per cent to $3.79bn, from $3.49bn.

Consolidated operating income was $527m, up 6.3 per cent before heavy restructuring costs in the year-earlier period.

A gain in the latest quarter from the sale of its Heublein subsidiary was offset by costs of further restructuring and early debt redemption.

Food operations, which included some of the leading packaged food brands in the country, turned in an 11 per cent increase in operating income to more than $205m in the latest period. Sales grew 7.4 per cent to $2.3bn.

A gain from the sale of some confectionery operations was offset by accounting changes.

RJR Nabisco said some of its best-performing products in the quarter included US Biscuits, international foods in general, Life Saver candy and Del Monte fruit.

Income from worldwide tobacco operations rose 1.3 per cent to $384m on sales ahead 10.7 per cent at $1.5bn. In the US, higher prices and increased productivity more than offset lower unit volume. An RJR programme to realign trade inventories caused the fall in volume.

Tobacco results abroad were boosted by strong volume growth and favourable pricing and foreign exchange trends.

Salomon resists trend with 16% advance

BY OUR NEW YORK STAFF

SALOMON, the large New York investment house, managed to resist the trend of deteriorating results on Wall Street, reporting a 16 per cent improvement in net profits.

The higher profits came despite declining revenues and a flat overall performance from the Salomon Brothers broker-dealer unit.

Salomon earned $173m or $1.13 per fully diluted common share, compared with $149m or 96 cents in the first quarter of 1987. The group's total revenues declined 6 per cent to $1.612bn. Salomon Brothers' revenues accounted for $1.433bn of this, 10 per cent down on the year-earlier figure. The remainder of Salomon's business is derived from the Philipp Brothers commodity brokerage, Phibro Energy and Salomon Commercial Finance.

Pre-tax earnings from the Salomon Brothers broker-dealer unit were $258m, 2 per cent up on the year before, while Salomon Commercial Finance showed a 25 per cent improvement to $45m, Phibro Energy advanced 12 per cent to $27m and Philipp Brothers increased its earnings five-fold to $15m.

At Salomon Brothers, revenues from net interest and dividends and principal transactions declined 5 per cent to $469m, while investment banking revenues rose 31 per cent to $146m. Commissions increased by 7 per cent to $58m. Salomon Brothers' compensation costs fell 4 per cent to $271m, but other non-interest expenses jumped by 16 per cent to $148m.

American Express profits rise $1m

BY JAMES BUCHAN IN NEW YORK

AMERICAN EXPRESS, the diversified financial services group, yesterday reported flat first-quarter earnings because sluggish profits from investment banking and international lending held back a surge in its celebrated charge card business.

The New York-based group reported earnings of $266m or 62 cents a share, against $265m in the same period last year.

But in last year's quarter, American Express enjoyed tax benefits of $49m, which gave a final figure of $314m or 71 cents a share.

Revenues rose strongly from $4.15bn to $5.37bn, although two-thirds of the increase came from the acquisition of E.F. Hutton by Shearson Lehman, the big retail brokerage firm.

The best performance came in the group's core travel-related services, where earnings rose 18 per cent to $171m and revenues climbed 17 per cent to $1.6bn. Charge card business rose a strong 20 per cent to $20.1bn and sales of travellers' cheques rose 9.9 per cent to $4.7bn.

IDS Financial Services, which provides insurance, investment products and fund management, enjoyed a 19 per cent increase in earnings to $51m.

But Shearson Lehman, the investment firm which acquired E.F. Hutton in December, reported essentially unchanged earnings. American Express, which sold nearly a third of the company last year, saw its share of these earnings fall from $78.5m to $52.5m.

American Express Bank, the international lender which is attempting to retreat from its entanglement with Third World borrowers, suffered a fall in profits from $56m to $27m.

The 1987 figures were flattered by $19m in tax benefits, but the fall also reflected higher operating expenses expressed in a weaker dollar.

New credit provisions mean the bank has now made provisions against 64 per cent of its Third World loans, American Express said.

First-quarter earnings up 15% at Dun & Bradstreet

BY OUR NEW YORK STAFF

DUN & BRADSTREET, the world's biggest business information and market research company, reported net income of $114m or 70 cents a share in the first quarter, up 15 per cent on last year's $99m or 65 cents. Operating revenues increased 6.5 per cent to a record $882m.

D&B said it expected double digit revenue growth for the rest of the year from its present wide range of businesses, which include the Nielsen market research and media ratings operations, Donnelley trade directories and Moody's Investors Service.

In addition, the company has recently announced two big acquisitions which will accelerate its growth from the current quarter onwards.

In February it signed an agreement to take over IMS International, a medical information business, for D&B stock worth nearly $1.5bn. Completion of the merger is likely to be approved by shareholders of both companies in May.

In addition, on March 31, D&B acquired Iteractive Data Corporation, a securities information services, from Chase Manhattan for $140m.

Growth in US operations boosts Alcan's profits

BY ROBERT GIBBENS IN MONTREAL

ALCAN ALUMINIUM has followed up its record 1987 results with a very strong first quarter. Net profit rose to US$175m or $1.05 a share, from $71m or 39 cents a share a year earlier. Sales and operating revenues were $1.9bn, up from $1.5bn.

The North American operations were outstanding and posted a 60 per cent gain in operating earnings. European operations were steady and Brazil satisfactory, Alcan said.

Overall, the sharp increase in earnings was due to stable costs in the face of strong international demand and higher prices for semi-fabricated products.

Shipments of ingot were 200,000 tonnes, against 192,000 tonnes a year earlier, and of fabricated products 356,000 tonnes, against 327,000 tonnes. March 31 inventories were down 13 per cent from a year earlier.

Our financial staff adds: Reynolds Metals, the US's second-largest aluminium producer, is positioned for a record 1988, with production at nearly capacity.

First quarter earnings were a record, he said, at $70.1m or $1.32 a share, up from $25.9m or 48 cents a year ago, on revenues of $1.18bn, up 24.6 per cent from $943.8m a year earlier.

Tandy in challenge to IBM

By Louise Kehoe in San Francisco

TANDY, the major US electronics manufacturer and retailer, has launched a high-performance personal computer that "clones" IBM's Personal System/2 computers, dubbed the "clone killers" at their launch a year ago.

Tandy is the first computer company to bring a PS/2 clone to market, although earlier this week Dell Computer, another Texas personal computer company, said that it had developed PS/2 clones that would be available later this year.

Ever since IBM's introduction of the PS/2, competitors have been seeking ways to emulate the new IBM computers.

Unlike previous IBM personal computers, that are widely cloned, the PS/2 contains proprietary technology creating a barrier to cloning.

Recently, however, IBM indicated that it might be willing to license others to use its patented technology in return for royalty payments ranging from 1 to 5 per cent of sales.

The computer giant warned, however, that such licenses would not necessarily cover elements of its technology for which copyright applications have been filed.

In a statement prepared jointly by Tandy and IBM, Tandy said yesterday that its new personal computer was covered by an existing patent licence agreement with IBM.

Tandy went on to say, however, that "IBM has informed us that PS/2 patents to be issued to IBM in the future are not licensed and will be the subject of future licensing negotiations."

The new Tandy 5000 incorporates high-speed memory features, advanced graphics and IBM Micro Channel type architecture. Prices range from $4,999 for a base system without a hard drive to $6,999 for a system including an 84-megabyte disc drive.

The Tandy 5000 will be available in limited quantities to major customers in June, and in volume quantities in the third quarter, Tandy said.

Compaq doubles sales on boom in PC exports

BY OUR SAN FRANCISCO CORRESPONDENT

COMPAQ COMPUTER, the Texas-based personal computer manufacturer riding the wave of a boom in US exports of high-performance personal computers, more than doubled its first-quarter sales and earnings, the company reported yesterday.

First-quarter sales were $439m, more than twice the $211m sales for the same period last year.

Net income for the quarter rose 182 per cent to $47m or $1.21 per share, from $20m or 56 cents in the first quarter of 1987.

Compaq's gains mirror those of Apple Computer, which earlier this week reported a 135 per cent increase in earnings, also based largely on increased international sales.

Compaq attributed its sales growth to a combination of increasing export sales as well as strong sales of its higher-priced high-performance personal computers.

In February, Compaq launched a new high-performance desk-top computer which it claims outperforms IBM's latest offerings.

Separately, Compaq filed for a new $300m convertible subordinated debentures offering due 2013 to be underwritten by Morgan Stanley.

Dana revenues hit record

BY OUR NEW YORK STAFF

DANA CORPORATION, the large US automotive components manufacturer, announced a 23 per cent gain in first-quarter revenues, based largely on a large rise in foreign orders, assisted by the falling US dollar.

Worldwide revenues were a record $1.23bn, with international sales accounting for 24 per cent of this figure. International sales were 43 per cent up on the year before, Dana said.

The company's net income of $35.1m or 86 cents a share, advanced by about the same margin, although comparison with last year's first quarter was difficult because of a change in accounting for deferred taxes.

In 1987 Dana originally reported first-quarter net income of $31m or 69 cents a share. This income has now been restated as $46.1m or $1.03, but the change includes the cumulative effect of deferred tax benefits from all previous years.

Mr Gerald Mitchell, Dana's chairman, said he expected second-quarter sales to be comparable to the record first quarter.

Murdoch to sell Boston TV station

By Raymond Snoddy in London

MR RUPERT MURDOCH'S News Corporation announced yesterday it planned to sell its Boston television station WFXT. The decision has been taken despite a recent Court of Appeals ruling overturning the Kennedy-Hollings Amendment prohibiting ownership of television stations and newspapers in the same market.

Mr Murdoch owns the Boston Herald newspaper.

Following the Court of Appeals ruling, Mr Murdoch would have been free to go to the Federal Communications Commission and ask for a waiver of cross-ownership rules, which would have allowed him to hold both the newspaper and the station.

Mr Murdoch decided, however, that the uncertainty surrounding the television station's future was damaging its economic prospects. If a waiver was eventually denied it would have resulted in a forced sale.

A spokesman said yesterday that there were potential purchasers for WFXT, but declined to identify them.

WFXT is one of seven commercial television stations in the Boston area and comes close to bottom in terms of ratings.

In New York, where the same issue was raised, Mr Murdoch came to the opposite decision – to sell the New York Post and keep his television station.

Setback for Anglo American

BY JIM JONES IN JOHANNESBURG

RECOVERY from the effects of last August's three-week strike by South African black miners, helped some of the mines managed by the Anglo American group to mitigate the problems of lower rand gold prices in this year's March quarter.

Nonetheless, results mirrored those of most other mining houses, with lower pre-tax profits despite an overall increase in gold production.

Three of the group's gold production units – Elandsrand, Ergo and Freegold – have warned of the adverse effect of the Minimum Tax on Companies (MTC) announced in the March budget. Elandsrand expects to pay an additional R24m ($11.2m).

Western Deep Levels, whose underground workings were badly damaged by the stoppage, has restored underground ore production to pre-strike levels but was troubled by lower gold grades there. The mine is the world's deepest and workings collapse rapidly if mining halts.

Neighbouring Elandsrand lifted its mill throughput and grade, as did Vaal Reefs. In the Free State, Freegold increased throughput, but at a reduced gold recovery grade. Its ore production will be augmented in the next few months by the build-up of operations at the Erfdeel-Dankbaarheid division.

ANGLO AMERICAN GOLD QUARTERLIES

	Gold produced (kg)		After-tax profit (Rm)		Earnings (cents per share)	
	Mar 88	Dec 87	Mar 88	Dec 87	Mar 88	Dec 87
Elandsrand	3,097	3,005	42.30	44.87	27.3	21.5
Ergo	3,107	2,836	28.15	24.08	24.6	38.7
Freegold	24,473	24,384	190.20	194.90	60.2	62.1
SA Land	389	421	1.34	2.15	13.0	20.9
Vaal Reefs	18,861	17,798	125.80	148.85	318.8	515.4
W. Deep	8,836	8,267	79.00	86.10	97.8	99.0

Earnings per share calculated after capital expenditure.

Alcatel to streamline industrial base further

By Friso Endt in Amsterdam

ALCATEL, THE telecommunications group formed by the merger of the telecommunications businesses of ITT of the US and CGE of France, plans to continue to streamline its industrial base.

The company said yesterday it was certain it had a special role to play in Europe, where the task of creating an integrated communications market is an essential element of the economic and financial unification which is scheduled for 1992.

Alcatel confirmed that net profits had risen to Ecu346m ($429m) in 1987 on turnover of Ecu11.2bn. The company said profits had been about 50 per cent ahead of internal budgets.

The Dutch-based multinational, which has its headquarters in Brussels, was addressing its first general shareholders' meeting.

Mr Pierre Suard, Alcatel's French chairman, said that by achieving sales of more than $13bn and a net income of $400m the company "had positioned itself as the world's leading telecommunications supplier."

Mr Suard also said that in 1987 the company had comfortably achieved a net income of 2 per cent of sales.

Alcatel encompasses public network systems, transmissions, business systems and cable activities. It employs 137,000 people from a manufacturing base spread over 110 countries, 21 of which are European.

A sales breakdown shows a spread of 22 per cent in public network systems, 21 per cent in cables, 22 per cent in business systems, 14 per cent in transmissions and 19 per cent in what is termed "other activities," which include consumer products and components.

David Lane on an Italian bank's bid for 45 per cent of Irving Trust

BCI strolls down Wall Street

BANCA COMMERCIALE Italiana's overtures to Irving Trust, the New York bank, have taken a fair amount of breath away in Italian financial circles this week.

Only last month BCI, Italy's biggest state bank, revealed it had completed the disposal of the Long Island Trust Corporation (Litco) to the Bank of New York. The suggestion was that it had undertaken a significant re-appraisal of its US presence.

The quick return to the New York stage was therefore doubly unexpected.

The announcement of Litco's sale was made a year ago when a first block of 26 per cent of its capital changed hands. With the completion of the deal, BCI has received $317m against an outlay of $116m made when acquiring the Long Island bank six years ago.

In its most recent annual accounts, BCI said the disposal of Litco was due to changes in US banking regulations which had modified the operating framework within which the original investment had been decided. The bank said it wanted to place greater emphasis on innovative activities in international financial markets.

Essentially BCI had simply lost interest in a small local retail bank in which substantial investment would have been needed in order to make the desired leap into new operations.

It is ironic though that the bid for Irving Trust dresses the Italian bank in the costume of a white knight to combat the unwelcome attentions of the Bank of New York.

The resources which BCI obtained through the sale of Litco are now earmarked for deployment against Litco's new parent in a contest for Irving Trust, with BCI offering to take a 45 per cent stake in the US bank.

There is talk at BCI's Milan head offices that the offer to Irving Trust is a sign of nostalgia for a US position, lost when Litco was sold. But rather than nostalgia, a more convincing reason for BCI's interest lies in the person of Mr Enrico Braggiotti, the bank's managing director.

Mr Braggiotti is widely considered a thruster, an aggressive and determined banker with a marked personal preference for the excitement of the international arena and corporate banking. It is generally thought that Mr Braggiotti, whose looks and energy belie his 65 years, is less interested in the more mundane work associated with retail banking in Italy.

Tipped to take over BCI's chairmanship when Mr Francesco Cingano moves to Mediobanca, Mr Braggiotti is nevertheless expected to keep hands on the executive levers, particularly those which direct international activities.

Mr Mario Arcari, BCI's foreign general manager, stresses that the attempt to win control over Irving Trust is an exceptional operation. It should not be confused with BCI's overall international strategy, of which a key part is the emphasis being placed on developing the European network.

Enrico Braggiotti: prefers international arena

Authorisation has recently been received for a representative office in Amsterdam and for upgrading the Frankfurt office to branch.

At present, BCI's European operations are based on a group of banking affiliates — including Banque Sudameris in France and Banque Européenne de Credit in Belgium — and nine representative offices.

Mr Arcari says the bank plans to open about 10 branches in France, Germany and Spain by 1992. BCI's presence in London, where it currently has a branch and a capital markets operation, will be strengthened.

With L66,268bn ($53.6bn) of total assets at the end of 1987 and commanding second place behind Banca Nazionale del Lavoro in Italy's banking league, BCI has sometimes given the impression of being a rather slothful and slumbering mini-giant.

But in making the bid for Irving Trust, BCI finds itself alongside the dynamic representatives of internationally-aware Italian corporations, like Mr Carlo De Benedetti's CIR and Mr Raul Gardini's Ferruzzi-Montedison group.

Last year the bank's profits were flat with gross earnings amounting to L727bn, or 2.2 per cent less than 1986.

Absorption of the accumulated losses of Alfa Romeo, the former IRI subsidiary, produced fiscal benefits, allowing the bank to absorb losses on share its portfolio and show an increase of 8.0 per cent in net profit to L314bn.

However, the Irving Trust deal does not hinge on BCI's internal cash flow. In addition to the funds generated by last year's Litco sale, BCI should benefit this year from the reduction of its holding in Mediobanca, an operation from which it ought to realise more than L400bn.

Cerus in Spanish acquisition

BY PETER BRUCE IN MADRID

CERUS, THE European holding company headed by Mr Carlo De Benedetti, the Italian entrepreneur, has made its first big investment in Spain by buying, through its Spanish investment arm, 21.5 per cent of Pascual Hermanos, the country's leading exporter of citrus products.

The operation, by way of a capital increase for Pascual Hermanos, is understood to have cost about Pta3.2bn ($28.9m), and has been made through Cofir, an investment company in which Cerus has a 40 per cent share.

Cofir has been operating in Spain for just over a year but so far has made all its investments in the money markets. Its other big shareholders are Banco de Bilbao and Construcciones y Contratas (C&C), the construction group, which each have 10 per cent.

C&C's owners, two cousins nicknamed the "Albertos" by the Spanish press, jointly own, with the Kuwait Investment Office, nearly 13 per cent of Banco Central, Spain's biggest bank.

Pascual Hermanos, a Valencia-based family company, expects to turn over about Pta40bn in the year to June, with after-tax profits of Pta1.5bn.

The company has its own European distribution network. It will continue to be led by one of the founding Pascual brothers, Mr Jose Maria Pascual, and is being advised by the Spanish affiliate of J.P. Morgan on an eventual listing on Spanish stock markets.

Net earnings at Air France soar by 117%

By Our Paris Staff

AIR FRANCE, the French national airline, has reported a 117 per cent increase in net group earnings, excluding minority interests, to FFr1.22bn ($216.3m) for 1987, on a 6.5 per cent rise in group revenue to FFr32.8bn.

Apart from the airline, the Air France group includes the Meridien hotel chain and several air transport service activities.

Profits for the airline itself rose by 5.8 per cent to FFr716.6m, with passenger traffic increasing by 14.6 per cent. Freight was up 9.8 per cent and load factor averaged 69.5 per cent.

To help finance its fleet renewal programme, Air France is hoping to open up 15 per cent of its capital to private shareholders.

Vallourec slips further into red

VALLOUREC, THE French steel tubes producer, has reported a group loss of FFr452m ($80.1m) for 1987, from a deficit of FFr402m the year before, Our Paris Staff writes.

The latest figures include FFr189m restructuring charges, compared with FFr138m in 1986. Turnover declined by 11 per cent to FFr5.5bn.

However, the company said a strong recovery could be expected this year. First-quarter 1988 sales are about 26 per cent higher.

De Benedetti withdraws from Mondadori race

By John Wyles in Rome

MR CARLO De Benedetti, the Italian entrepreneur, has withdrawn as a candidate for the presidency of Mondadori, Italy's second biggest newspaper and publishing company, because of a deep rift between the principal shareholder groups.

His decision leaves the field open with little likelihood that the controlling group, of which Mr De Benedetti is part, will be able to heal the rift with the minority headed by Mr Leonardo Mondadori.

Earlier this week the two sides finished a meeting of the controlling shareholders of Amef, the holding which controls 50.3 per cent of Mondadori, in a state of open warfare.

As a result, the Amef group will not be represented at Mondadori's shareholders' meeting which is scheduled to be held on May 10.

But Mr De Benedetti holds between 25 and 30 per cent of Mondadori's ordinary capital outside of this group and is thus guaranteed the power to determine the make-up of the company's board.

However, he has stipulated that he would only become president with the full support of all the company's main shareholders.

Essentially, the affair is a row between two groups led by descendants of the company's founders who are fighting to be the leading influence over its development. Mr De Benedetti is allied with the Formenton family group.

His previous readiness to assume command of Mondadori has fuelled mounting concern in Italy about the increasing control which powerful industrialists are exerting over the media.

Matra takes 15% stake in French telecoms group

BY PAUL BETTS IN PARIS

MATRA, THE French defence and electronics group, has acquired for about FFr150m ($26.6m) a 15 per cent stake in France's SAT telecommunications group.

The investment appears to be part of Matra's efforts to strengthen its interests in the telecommunications sector by forging closer links with SAT, which has been seeking to increase its size through international alliances.

Matra and SAT have long had close relations. SAT has been a supplier of components for Matra's missiles and other military activities and the two companies have complementary activities in the private telecommunications sector.

Last year SAT linked up with American Telephone and Telegraph (AT&T) when the US telecommunications group was seeking to gain control of CGCT, the French state-owned telephone equipment manufacturer. However, a rival partnership between Ericsson of Sweden and Matra finally won control of CGCT.

SAT subsequently expressed interest in the telecommunications activities of the French Jeumont-Schneider group, which were recently sold to Bosch of West Germany.

SAT, with sales of about FFr4.5bn, returned to the black in 1986 with a profit of FFr64m after a loss of FFr24m the previous year.

Its main shareholder is Sagem, the French electro-mechanical equipment group, which owns 49.7 per cent of the shares and the majority of voting rights.

Thai flotation for Oriental Hotel stake

BY PETER UNGPHAKORN IN BANGKOK

SHARES IN Bangkok's Oriental Hotel, regularly voted one of the world's best hotels, are to be made available in Thailand as well as through Hong Kong.

Some 11 per cent of the renamed holding company, Oriental Hotel (Thailand), is being sold by the Italthai group, one of Thailand's largest construction companies, which at present holds a 41 per cent stake. The 3.6m shares are being sold at 125 baht each to raise 450m baht ($18.2m).

Hong Kong-based Mandarin Oriental Hotels is also effectively reducing its 49 per cent stake to 44.9 per cent. A parcel of shares is being placed internationally by Jardine Fleming at the equivalent of US$5.30 each.

Dr Chaiyudh Karnasuta's Italthai group has recently made a number of changes to its asset portfolio including the sale of its minority stake in Post Publishing, owner of Thailand's largest English language newspaper, to Hong Kong investors.

Because it is not a public company, Italthai does not reveal details of its financial position but the company has won a series of important contracts, such as for new terminals at Bangkok's airport, and heads a short list of contractors for a new deep seaport on Thailand's eastern seaboard.

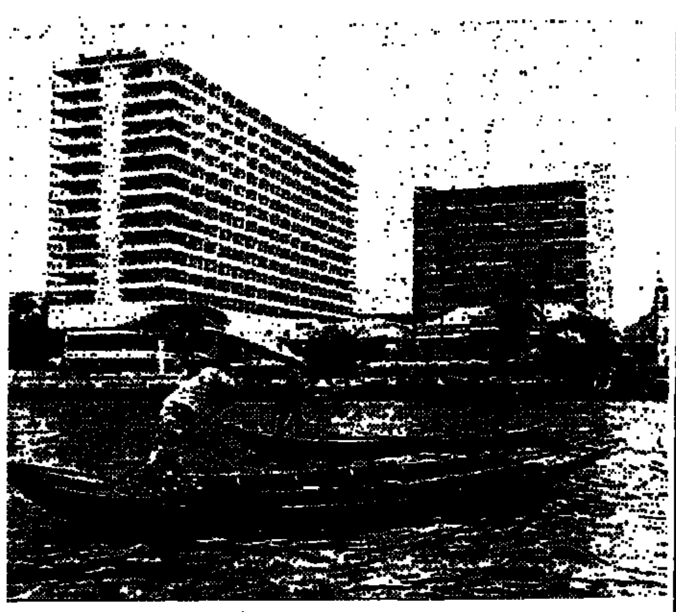
The Oriental Hotel made a net profit of 138m baht last year and expects at least 194m baht this year. By listing on the Securities Exchange of Thailand, the company can enjoy incentive tax rates as well as raise funds on the capital market. For hotels, foreign ownership cannot exceed 49 per cent.

Our Financial Staff adds: The international tranche of the share offer is being sold at a premium of nearly 5 per cent, which Oriental Hotel said was usual for foreign purchases in Thai companies. Listing arrangements are due to be completed by June.

Dr Chaijudh Karnasuta, chairman of the hotel, described the domestic response as overwhelming. According to Italthai and Mandarin, their placing of shares in the Oriental is the first to be carried out for a Thai company simultaneously in local and international markets.

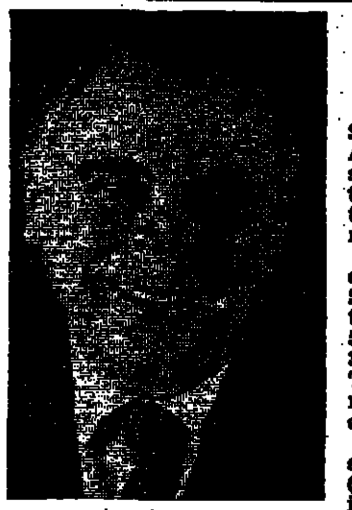
The flotation follows massive demand in Hong Kong last week for shares in C.P. Pokphand, a Thai-controlled agri-industrial group which is gaining a listing in the territory.

● Peninsula Group, part of the rival Hongkong and Shanghai Hotels, has won the operating contract for the Belvedere, a US$100m development in Beverly Hills which is said to be the California district's first new luxury hotel for 20 years.



Pioneer chief executive steps down

BY CHRIS SHERWELL IN SYDNEY



Sir Tristan Antico: "a hard act to follow"

SIR TRISTAN ANTICO, a giant of Australia's corporate scene, will step down today as chief executive of Pioneer Concrete Services, the building products and resources group.

Mr Des Quirk, deputy chief executive and long-groomed by Sir Tristan as his successor, will take over the position. Mr Quirk, 58, he has been with Pioneer for 31 years, 21 of them abroad. Sir Tristan, who turned 65 last month, will continue as group chairman.

Pioneer, which has annual sales of more than A$3bn (US$2.25bn), is currently completing a restructuring. This will amalgamate its minerals exploration and production under the 41 per cent-owned Giant Resources and bring its petroleum exploration and production under Ampol Exploration.

In its core businesses, Pioneer will operate two building products divisions and Ampol Ltd, the petroleum refiner and retailer, where it is bidding for the 12 per cent it does not already own.

The group is expected to report record earnings in the current financial year for the 13th consecutive time, and yesterday Sir Tristan said he could "see a lot of further growth."

Of Italian extraction, Sir Tristan started Pioneer in 1949 as a partnership to provide concrete placing and formwork services to the building industry. The company went public in 1959.

Diversification geographically in the 1960s and into resources in the mid-1970s reduced its dependence both on building products and on the Australian market.

Pioneer is now the largest producer of ready-mixed concrete in Spain and the second largest in the UK. Minerals and energy, meanwhile, account for a fifth of the group's profits.

"An *excellent foundation* has been laid for the future," Sir Tristan said. "Mr Quirk has a very good management team behind him."

Mr Quirk, the man responsible for Pioneer's European expansion, acknowledged yesterday that Sir Tristan was "a hard act to follow" but said all those who had helped him "are still here."

He went on: "We've got a point to prove. We want to make Pioneer grow in the coming decade at the rate it has managed in the past decade."

The group's biggest expansion in building products would be in the US, while quarrying operations would grow in the UK, West Germany and Australia.

In resources there would be a quantum leap when revenues from the Coronation Hill gold project in the Northern Territory and from oil operations in Papua New Guinea began coming in.

Strong demand boosts results at Kao

BY OUR TOKYO AND FINANCIAL STAFF

KAO, the Japanese cosmetics and soaps maker, yesterday registered an 18.5 per cent boost in pre-tax profits in the year to March thanks to strong demand for its new detergents and cosmetics.

Sales for the year jumped to Y490bn ($3.94bn) from Y441bn while profits increased to Y30.55bn from Y25.79bn on an unconsolidated basis. The company raised its dividend from Y7.50 to Y8.20 a share.

Severe price competition in Japan's disposable diaper market dampened revenues for Kao in that segment of the business. None the less, sales of its new detergent, Attack, exceeded Y35bn in its first year on the market.

Further, the company has reaped the benefits of increased production of its cosmetics in Taiwan and Thailand. It is also broadening out of the domestic market by introducing its cosmetics in the US and Europe.

On Wednesday, Kao announced the purchase from American Brands of Andrew Jergens, a US producer of lotions, soaps and shampoos. Although the price of the deal was undisclosed, Kao said the Cincinnati, Ohio-based unit had annual sales of $172m and a workforce of 850.

In the current year, Kao is looking for parent pre-tax profits of Y34bn, an increase of more than 11 per cent, with sales of 6.1 per cent up to Y520bn.

For the group as a whole, which made worldwide sales of Y514.4bn against Y464.1bn, net earnings emerged at Y13.44bn compared with Y12.91bn. Growth was held back by a Y2.75bn write-off in connection with the sale of its 45 per cent share in Karonite, a joint venture with Chevron Chemical of the US.

On a per-share basis, net earnings fell to Y27.47 from Y32.30, reflecting the issue of bond-related new equity.

This year Kao expects consolidated net earnings of Y15.5bn from turnover of Y545bn.

Video tape group to raise S$16m

ELECTRO MAGNETIC (S), a Singapore company which describes itself as South-East Asia's largest maker of video tapes, is raising S$16m (US$8m) through a share issue, Our Financial Staff writes.

It is building a S$10m injection moulding plant to produce tape casings which the company plans to supply to JVC and other video cassette groups.

Channel Ten to form link with MCA

By Our Sydney Correspondent

MCA, the US film and entertainment group, and Australia's Channel Ten television network are to form a long-term commercial link billed by the two sides as "historic" and "unprecedented."

Mr Frank Lowy, chief of the Westfield group, which controls Channel Ten through its Northern Star Holdings, said MCA would become both an exclusive supplier of television programmes to Channel Ten and a business partner.

Under the deal, Channel Ten will gain access for 10 years to the output of one of the world's largest producers of television programmes – including series like Miami Vice – and theatrical films. At the same time MCA will be issued with options over 10 per cent of Northern Star equity.

The 25.4m options will entitle the US company to acquire the stake within five years at A$2.50 per share. This year the shares have traded between A$1.30 and A$1.70.

Mr Lowy, who acquired the main stations in the network last year from Mr Rupert Murdoch's News group, said it had previously lacked access to a permanent source of top international programmes.

Now, with its continued local production, its exclusive right to Twentieth Century Fox production and the MCA agreement, he said the network's position had been secured for many years.

Mr Sidney Sheinberg, MCA president, said there would many opportunities for expanding the new relationship, both with Northern Star and with Westfield.

MCA/Universal produces or distributes 11 current television series on the main US networks. For Channel Ten, access to these will help it compete against Channel Nine (owned by Mr Alan Bond's Bond Media) and Channel Seven (controlled by Mr Christopher Skase's Qintex group).

●MCA yesterday reported a fall in first-quarter net profits to $26.86m or 37 cents a share from $28.75m or 38 cents in spite of a tax credit of $3.9m against a charge of $11.5m last year and a rise in revenues to $611.21m from $533.22m.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Japanese brokers suffer downturn

BY IAN RODGER IN TOKYO

FIVE YEARS of rapid profit growth by Japan's Big Four securities houses came to an end in the six months to March. Parent company pre-tax profits of Nomura, Daiwa, Nikko, and Yamaichi fell by 26.4 per cent to a combined Y468.9bn ($3.77bn) in the first half of their current financial year.

Combined revenues of the four were down by 14.8 per cent to Y1,098.7bn, mainly because of a slump in trading volume on the Tokyo Stock Exchange in the wake of the October crash. The steeper decline in profits came partly because commission rates on bond and stock trading in Tokyo were cut.

Nomura, the world's largest securities house, said its brokerage commissions fell 31 per cent to Y141bn. The slump in brokerage business for the four was offset to some extent by a huge increase in new issue activity, much of it arising from privatisation issues.

The four earned an aggregate Y30.1bn from the sale in November of 1.9m shares of Nippon Telegraph and Telephone (NTT). The sale by the Japanese government of its shares in Japan Air Lines last November and a series of rights issues by Japanese banks also helped the underwriting business.

Although the Japanese bond market was dull for much of the period, Nomura and Daiwa made higher profits on bond trading while Nikko and Yamaichi recorded profits in this area after heavy losses last year. Yamaichi, for example, made a profit of Y6bn on bond dealing compared with a loss of Y17.3bn in the whole of last year.

Nomura and Nikko also managed to make profits on stock trading for their own accounts in spite of the market crash. Nomura's stock trading profits were Y10.6bn while those of Nikko were Y1bn. Yamaichi, on the other hand, lost Y6.2bn and Daiwa lost Y834m.

Nomura pointed out that trading volume in Japanese stock markets recovered rapidly starting in January "because of investors' appreciation of Japanese economic growth." All four companies are forecasting continued improvement in trading conditions in the second half but they expect the year to end with pre-tax profits between 10 per cent and 20 per cent lower than those of last year.

JAPANESE SECURITIES HOUSES
Parent company results (Ybn), half-year to March 1988

	Revenue		Pre-tax profit		Net profit	
Nomura	404.41	-13.2%	193.71	-20.0%	89.42	-19.9%
Daiwa	257.45	-13.8%	117.91	-21.5%	59.41	-14.6%
Nikko	224.07	-18.9%	80.53	-39.0%	41.83	-28.7%
Yamaichi	212.83	-14.2%	76.84	-33.4%	45.03	-21.9%

Earnings flat at Bouygues

By George Graham in Paris

BOUYGUES, THE leading French construction group, has reported flat earnings of FFr495m ($87m) in 1987, in spite of a 17 per cent increase in sales to FFr53.4bn.

The group gave no breakdown of its profits, but had earlier announced a sharp cut in losses at its subsidiary Dragages et Travaux Publics to FFr8.4m, compared with FFr146.8m in 1986, and a return to substantial profits at Screg, its construction unit, which recorded earnings of FFr204m after only FFr3m in 1986.

The results include for the first time Bouygues's 25 per cent stake in TF1, France's main television channel, which was privatised last year.

Bouygues predicts flat sales for 1988, with turnover declining in the domestic construction sector to FFr23bn, stagnating in overseas construction at FFr6.7bn, rising slightly in property activities to FFr9.4bn and climbing by 5 per cent in the diversification division, including television, to FFr14.6bn.

The company will keep its dividend unchanged at FFr27.50, plus tax coupon, and will ask its shareholders in June to approve a capital increase of up to FFr1bn. The board said it had no immediate intention of using this authorisation.

Sandoz to limit shareholdings

BY JOHN WICKS IN ZURICH

SANDOZ, THE Basle chemical group, is to limit to 2 per cent the maximum stake in its registered share capital which can be entered into the company's share register. This follows the announcement of a similar move by Ciba-Geigy, another of the "big three" Swiss chemical companies.

The general rule, to which exceptions could be made at the board's discretion, would form part of an amendment to Sandoz' statutes and will be proposed at the May 3 shareholders' meeting. A further amendment specifies that applications free for registry could be refused "particularly where these could jeopardise the Swiss character of the company or are made by competitors or persons close to competitors."

Entries could also be revoked if they were shown to have been obtained under false pretences.

Mr Ulrich Oppikofer, executive vice-president, said the amendments were intended to clarify the situation in respect of registered shares. The 2 per cent rule was close to existing guidelines.

Mr Marc Moret, the chairman, said the proposed measures were of a precautionary nature. The company was not threatened by any large scale purchases of its registered stock.

Sandoz' voting capital is made up of 1,043,315 registered shares and 155,315 bearer shaes, each of SFr250 nominal value.

Mr Moret said the company was "confident" it would further improve its results in calendar 1988. In the first quarter, sales had risen faster than had been expected to SFr2.5bn ($1.8bn), or 4 per cent more than for the correponding period of last year.

The company has already announced that group sales rose 7 per cent last year to a record SFr8.98bn and profits by 16 per cent to SFr627m.

The parent company will propose an increase in dividends to SFr100 from SFr105 to SFr110 per share and from SFr21 to SFr22 per participation certificate.

Mr Oppikofer said damage payments in respect of the November, 1986, fire at the Sandoz plant in Schweizerhalle, which resulted in large-scale pollution of the Rhine, had amounted to SFr35m, of which some 85 per cent had already been made.

CBOE seeks further staff cuts

BY DEBORAH HARGREAVES IN CHICAGO

STILL SMARTING from the effects of the stock market crash, the Chicago Board Options Exchange is offering a voluntary severance plan to its staff. The plan comes on top of the exchange's move to cut 90 jobs in January.

The exchange's 1,000 employees have until Monday to sign up for the plan and register for benefits, including one month's pay for each year of service, up to six months.

The CBOE will not say how many jobs it is planning to cut with this measure, but is understood to be considering further staff reductions if the voluntary plan does not meet its objective. "Anyone can sign up for it," an exchange official said, "but that doesn't mean they will be accepted."

After seeing volume in the Standard & Poor's 100 stock index option, its bellwether product, cut in half by the stock market crash, the CBOE has introduced a broad cost-cutting programme.

By trimming $15m from its $85m 1988 budget, the exchange says it can break even on an overall volume of 400,000 contracts a day. In March, it just passed that figure with 427,000 a day, down from a daily average of near 850,000 before the crash.

The exchange says the severance plan is targeted at "borderline" employees and those who were thinking of leaving anyway. The CBOE has also cut spending on its marketing programmes and employee bonuses.

Medium term notes launched for Wheat Board

By Stephen Fidler, Euromarkets Correspondent

A STRING OF financings was launched yesterday in the international markets yesterday, including a $600m programme in the emerging medium-term note market for the Australian Wheat Board and a $325m note facility for Gulf Canada.

First-quarter improvement for ITT

By Our New York Staff

Three further issues in Eurosterling sector

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

INTERNATIONAL BONDS

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 21

This is neither an offer to buy or sell or exchange nor a solicitation of an offer to buy or sell or exchange any security.

THESE NOTICES ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt about how you should act, you should consult your Stockbroker, Bank Manager, Solicitor, Accountant or other professional adviser immediately.

DOME PETROLEUM LIMITED

(Incorporated in Canada with limited liability)

Notices of Meetings of the Holders of the Outstanding Principal Amounts of

U.S.$75,000,000 Floating Rate Notes due 1988	**U.S.$50,000,000 Floating Rate Notes due 1989**	**U.S.$3,130,000 16¼% Fixed Rate Notes due 1989**	**U.S.$50,000,000 10% Debentures Due 1994**	**U.S.$50,000,000 13½% Debentures Due 1992**

to be held on Tuesday, 24th May, 1988.

Meetings (the "Meetings") of the holders (the "Holders") of the U.S.$75,000,000 Floating Rate Notes due 1988 (the "1988 Notes"), the U.S.$50,000,000 Floating Rate Notes due 1989 (the "1989 Notes"), the U.S.$3,130,000 16¼% Fixed Rate Notes due 1989 (the "16¼% Notes"), the U.S.$50,000,000 10% Debentures Due 1994 (the "10% Debentures") and the U.S.$50,000,000 13½% Debentures Due 1992 (the "13½% Debentures") of Dome Petroleum Limited ("Dome") (collectively, the "Notes and Debentures") will be held at The Connaught Rooms, 61–65 Great Queen Street, London WC2 on Tuesday, 24th May, 1988. **The Meetings are called to consider Extraordinary Resolutions consenting to the implementation of an arrangement under the Canada Business Corporations Act (the "Plan of Arrangement") pursuant to which the business and operations of Dome and Amoco Canada Petroleum Company Ltd. ("Amoco Canada") will be combined. If the Plan of Arrangement is approved and becomes effective, Amoco Canada will acquire the indebtedness represented by the Notes and Debentures and in consideration therefor will make a cash payment to the Holders equal to 45% of the aggregate of the outstanding principal amount of, and interest accrued since 31st October, 1986 on, the Notes and Debentures.**

By way of background, in October, 1986, Dome obtained waivers of payments due to the holders of its public unsecured debt, including the Holders, all of which have terminated in accordance with their terms. The waivers were part of a short term solution to Dome's financial difficulties while a plan (the "Debt Restructuring Plan") was being developed. Concurrently with the development of the Debt Restructuring Plan, discussions were held with potential purchasers to determine whether any financially strong company would be interested in acquiring Dome upon terms more advantageous than the conditions proposed under the Debt Restructuring Plan.

In April, 1987, after analysis of information provided by Dome, Amoco Canada, TransCanada PipeLines Limited and Imperial Oil Limited each submitted acquisition proposals to Dome. The proposal by Amoco Canada was selected by Dome as being superior to the other two proposals for both creditors and shareholders of Dome.

The consent of Holders is being sought through meetings of Holders at which they will be asked to approve the Extraordinary Resolutions set forth in this notice. Subject to further order of the Court of Queen's Bench of Alberta, Canada (the "Court") and in addition to certain other required approvals (including without limitation the approval of not less than two-thirds of the principal of the aggregate outstanding debt under those public unsecured credit facilities of Dome which will be affected under the Plan of Arrangement, including the Notes and Debentures, treated for this purpose as a single class), the Court has ordered that the approval of the Holders of not less than three-quarters of the principal of the aggregate outstanding debt under the Notes and Debentures voted in respect of the Extraordinary Resolutions is required to approve the Plan of Arrangement. The Trust Deed pursuant to which the 1988 Notes were constituted requires that an extraordinary resolution be passed by a majority consisting of not less than three-quarters of the votes cast thereon at a meeting of the holders of the 1988 Notes duly convened and held in accordance with the provisions of such Trust Deed. The same approval requirement applies, *mutatis mutandis*, in respect of extraordinary resolutions to be voted on by holders of the 16¼% Notes and the 1989 Notes in accordance with the provisions of the Trust Deed pursuant to which the 16¼% Notes and the 1989 Notes were constituted. The Trust Indenture pursuant to which the 10% Debentures were issued requires that an extraordinary resolution be passed by the favourable votes of the holders of not less than 66⅔% of the principal amount of the 10% Debentures represented at a meeting duly convened for the purpose and held in accordance with the provisions of such Trust Indenture. The same approval requirement applies, *mutatis mutandis*, in respect of extraordinary resolutions to be voted on by holders of the 13½% Debentures in accordance with the provisions of the Trust Indenture pursuant to which the 13½% Debentures were issued. **Notwithstanding that the above described Trust Deeds and Indentures effectively require that the foregoing approval levels be obtained on a series-by-series basis, it is emphasised that the Court has ordered, subject to further order, that only the approval of not less than three-quarters of the principal of the aggregate outstanding debt under the Notes and Debentures voted in respect of the Extraordinary Resolutions is required to approve the Plan of Arrangement.**

The Plan of Arrangement must receive the approval of the Court. The Court will conduct a hearing commencing on 13th June, 1988, to determine, among other things, whether the Plan of Arrangement is fair to all creditors and shareholders of Dome. Any interested Holders may attend the hearing and be heard, if they have filed and served notice of their intention to appear, prior to 10th June, 1988, on Messrs. Bennett Jones, 3200 Shell Centre 400–4th Avenue S.W., Calgary, Alberta, Canada T2P 0X9, Attention; Mr. Anthony L. Friend, and Messrs. Howard, Mackie, 700, 801–7th Avenue S.W., Calgary, Alberta, Canada T2P 3S4, Attention; Ms. Manna S. Paperny. Further information as to the potential effect on a Holder taking such action is outlined in the Information Circular referred to below. The discretion of the Court is very broad and the Court may exercise its discretion under certain exceptional circumstances and approve the Plan of Arrangement even though the requisite level of approval has not been obtained from the Holders.

If the Plan of Arrangement is consummated, Holders of the Notes and Debentures and matured coupons with respect to the Notes and Debentures will have the right to receive the cash payments from Amoco Canada described above, and more particularly described in the Information Circular referred to below, but will have no further rights under the Notes and Debentures or any coupons related thereto, whether matured or unmatured and whether or not attached to the relevant Notes and Debentures, (except insofar as they represent an entitlement to interest up to and including 31st October, 1986).

If the Plan of Arrangement is not successfully concluded, Dome's ability to continue as a going concern could be jeopardised and a liquidation might result. In the event of any such liquidation, Holders would be likely to receive substantially less than the consideration being offered to them pursuant to the Plan of Arrangement, if anything.

The Plan of Arrangement represents the culmination of many months of lengthy negotiations with Dome's creditors, Amoco Canada and other prospective purchasers of Dome. The Board of Directors of Dome believes that the Plan of Arrangement presents the best available solution to Dome's financial difficulties and that it will provide fair treatment to Dome's creditors and shareholders. **Accordingly, Dome strongly urges all Holders entitled to vote to do so in favour of the Extraordinary Resolutions.**

An Information Circular giving further information about the business and financial affairs of Dome, summarising the principal provisions of the Plan of Arrangement and its effect so far as the Notes are concerned under English Law, containing an independent opinion as to the fairness of the Plan of Arrangement to the Holders and detailing voting procedures for the Meetings may be obtained by Holders from Dome or the Paying Agents as from Tuesday, 3rd May, 1988. Copies of the Information Circular will also be provided by Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euro-clear system ("Euro-clear") and Cedel S.A., to any Holders whose Notes or Debentures are held in those clearing systems.

For the attention of holders of the U.S.$75,000,000 Floating Rate Notes due 1988 of Dome Petroleum Limited

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that a meeting (the "Meeting") of the holders of notes (the [illegible]

For the attention of holders of the U.S.$50,000,000 Floating Rate Notes due 1989 of Dome Petroleum Limited

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that a meeting (the "Meeting") of the holders of notes (the [illegible]

For the attention of holders of the U.S.$3,130,000 16¼% Fixed Rate Notes due 1989 of Dome Petroleum Limited

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that a meeting (the "Meeting") of the holders of notes (the [illegible]

For the attention of holders of the U.S.$50,000,000 10% Debentures Due 1994 of Dome Petroleum Limited

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that a meeting (the "Meeting") of the holders of debentures [illegible]

For the attention of holders of the U.S.$50,000,000 13½% Debentures Due 1992 of Dome Petroleum Limited

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that a meeting (the "Meeting") of the holders of debentures [illegible]

Holders entitled to attend and vote at the Meetings may either attend in person with their Notes or Debentures or obtain from any of their respective Paying Agents voting certificates in respect of Notes or Debentures deposited with such Paying Agent. The voting certificate will specify the Meeting (or any adjournment thereof) at which the bearer thereof is entitled to attend and vote in respect of the Note(s) or Debenture(s) represented by such voting certificate.

Alternatively, Holders may deposit their Notes or Debentures with a Paying Agent giving such Paying Agent instructions as to the manner in which the votes attributable to their Notes or Debentures so deposited should be cast in relation to the Extraordinary Resolutions.

Holders who wish to obtain voting certificates or to instruct a Paying Agent to exercise the votes attributable to their Notes or Debentures may deposit their Notes or Debentures with a Paying Agent as previously specified until 48 hours before the time appointed for the holding of the Meeting but not thereafter.

Holders whose Notes or Debentures are held by Euro-clear or Cedel S.A. and who wish to obtain voting certificates or to give voting instructions, may (in addition to withdrawing their Notes or Debentures from the respective clearing system and depositing them with a Paying Agent either to obtain from that Paying Agent a voting certificate or to give that Paying Agent voting instructions) direct Euro-clear or, as the case may be, Cedel S.A. to transfer their Notes or Debentures to the respective special accounts set out below. Euro-clear or, as the case may be, Cedel S.A. will, after the transfer is completed, either obtain and forward a voting certificate to such Holder or give the Paying Agent the Holder's voting instructions. Thereafter, Notes or Debentures will be held in the special account of the respective Paying Agent until the first to occur of (a) the conclusion of the Meeting (or any adjournment thereof) specified in the voting certificate or, as the case may be, in the voting instructions or the result of any poll taken on any resolution proposed thereat is determined (whichever is the later) and (b) the surrender to the Paying Agent who has issued the same of any voting certificate issued in respect of the Notes or Debentures or the revocation (not less than 48 hours before the time for which the meeting or any adjournment thereof is convened) of any voting instruction given in respect of the Notes or Debentures. Holders whose Notes or Debentures are held by Euro-clear are asked to contact the Custody Operations Department of Euro-clear (telephone: Brussels (322) 519-1211, telex 61025) and Holders whose Notes or Debentures are held by Cedel S.A. are asked to contact the Corporate Actions Department of Cedel S.A. (telephone: Luxembourg (352) 446921, telex 2791). The Euro-clear special accounts will be in the name of Morgan Guaranty Trust Company of New York (Brussels). The Cedel S.A. special accounts will be, in the case of the U.S.$75,000,000 Floating Rate Notes due 1988, the U.S.$3,130,000 16¼% Fixed Rate Notes due 1989 and the U.S.$50,000,000 Floating Rate Notes due 1989, in the name of Société Générale Alsacienne de Banque (Luxembourg) and, in the case of the U.S.$50,000,000 10% Debentures Due 1994 and the U.S.$50,000,000 13½% Debentures Due 1992, in the name of Banque Generale du Luxembourg S.A.

Copies of the Information Circular may be obtained, as from 3rd May, 1988, from Dome (at 3300 Dome Tower, 333–7th Avenue S.W., Calgary, Alberta, Canada) and the Paying Agents. The Proxy Statement delivered to Dome shareholders (the "Proxy Statement") and the Plan of Arrangement may be obtained from the offices of Dome as aforesaid and the Paying Agents as from Friday, 6th May, 1988. Copies of the Trust Deeds, or as the case may be, the Trust Indentures constituting the Notes and Debentures and any deeds or indentures supplemental thereto together with copies of drafts of the Fourth Supplemental Trust Deeds and Indentures as referred to in the Extraordinary Resolutions above will be available for inspection only at the offices of Dome as aforesaid and the relevant Paying Agents.

A SUBSEQUENT NOTICE WILL BE PUBLISHED BY DOME TO NOTIFY HOLDERS OF WHETHER OR NOT THE PLAN OF ARRANGEMENT HAS BEEN APPROVED BY THE COURT AND BECOME EFFECTIVE AND, IF APPROPRIATE, THE PROCEDURE WHEREBY THE PAYMENT BY AMOCO CANADA WILL BE MADE.

22nd April, 1988

CITY UPGRADES CURRENT YEAR FORECAST TO AT LEAST £130m

Inchcape soars £30m despite currency trends

BY DAVID WALLER

Inchcape has shrugged off the adverse effects of currencies on its vast array of businesses to report a £30.1m surge in pre-tax profits for 1987.

Breaking through the £100m mark for the first time, the former overseas trader announced profits of £116.2m, against £86.1m the year before.

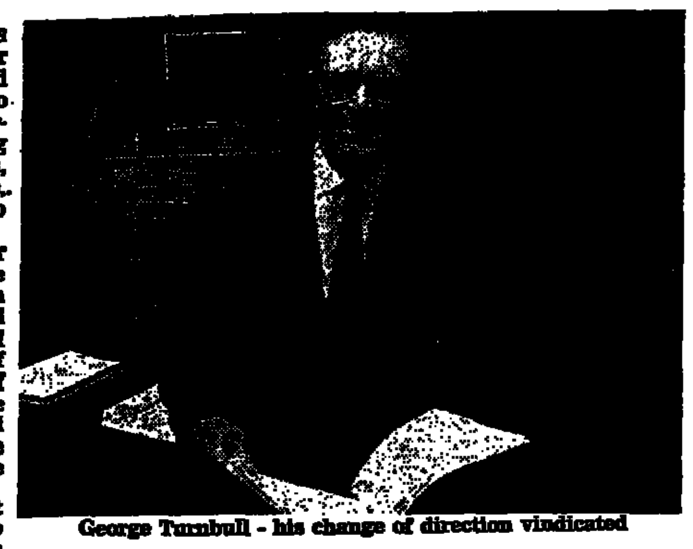
Around half its £2bn turnover is denominated in either US dollars or dollar-dependent currencies, and profits would have been £16m higher but for adverse exchange rate movements. Nevertheless, the result was ahead of expectations, prompting analysts to upgrade their forecasts for the current year from about £125m to over £130m.

Helped by a lower tax charge, absorbing 34.8 per cent of pre-tax profits against 44.8 per cent in 1986, earnings per share rose by 47 per cent to 73.7p. A final dividend of 18.5p makes a total of 27p, compared with 21p.

The result was regarded as a vindication of the efforts of Mr George Turnbull, appointed chairman in January 1986, to turn the company into an international services and marketing organisation. Inchcape's shares, which began the week at 655p, added another 19p yesterday to close at 738p.

Since his appointment Mr Turnbull has cut the average age of senior management by a decade or so to 47-48, introduced a central treasury function, and reshuffled Inchcape's portfolio of interests into 10 areas. Five of these are growth businesses to be supported by investment and acquisition, the other five mature but profitable businesses to be left to grow at their own pace.

Much of the 21.2 per cent growth in operating profits to £112m (£92.4m) – achieved on turnover up by 2 per cent to £2.04bn – came from the priority area of automotive distribution, where profits from the sale of cars rose from £61m to £70.6m on sales of £1.2bn (£1.0bn).



George Turnbull - his change of direction vindicated

Although not designated a priority area, profits from marketing and distribution undertaken on behalf of numerous principals in the Far East surged by two thirds to £21.4m (£12.8m) on sales of £854.2m (£345.1m). The strong performance was attributed to booming economies in Hong Kong and Singapore.

Pre-tax profits from insurance services rose from £11.1m to £13.2m, despite a disappointing second half. Clarkson Puckle – bought in December 1986 for £43m – is still being integrated with Bain Dawes and made no contribution to profits last year, as expected.

Other activities generated profits as follows: business machines £0.9m (£1.7m); buying services £2.2m (£1m); inspection and testing £5.5m (£6.8m); shipping services £5.2m (£3.6m); tea £4m (£5.7m); timber £6.6m (£4.1m); wines and spirits £4.1m (£7.8m).

Capital expenditure and income from disposals cancelled each other out at £100m apiece; at the year end, net borrowing stood at £122m, equivalent to gearing of 30 per cent against 70 per cent a year before.

See Lex

Clogau buys gold interests in Australia

By Nikki Tait

Clogau Gold Mines, one-time Welsh gold-mining company which came to the Unlisted Securities Market in 1984, is going west with the acquisition of gold interests centred on Kalgoorlie in Western Australia.

The interests are owned by Lubbock Nominees, the family company of Mr Frank Lubbock. As a result Mr Lubbock acquires a controlling 52.26 per cent stake and will become executive chairman of the company.

The interests to be acquired by Clogau include 50 per cent of the Callion joint venture near Kalgoorlie, where the other partners are Metallgesellschaft AG and Thyssen Schachtau GmbH, and on which mining has already started; a 25 per cent interest in the Barbanks joint venture in the Coolgardie area; a 50 per cent interest in the Menzies joint venture; and a 25 per cent interest in the Broad Arrow Mill.

Consideration is 24.4m new shares, which will be issued to Mr Lubbock. With Clogau suspended at 26p yesterday, the value of the deal is £6.1m.

In addition, the Australian Giant Resources group is placing its present 32.9 per cent interest in Clogau with certain directors and institutions, mainly in the UK.

Staley rejects Tate bid and starts talks with third parties

BY CLAY HARRIS

Staley Continental, the US corn syrup and food distribution group, yesterday rejected the $1.33bn (£708m) takeover bid from UK sugar refiner Tate & Lyle.

It said it had been in talks with unidentified third parties about the possible sale of the entire group or one of its principal businesses.

The Illinois-based company said it was exploring a variety of options to thwart the Tate offer.

In a filing with the US Securities & Exchange Commission, Staley said it expected shortly to enter into confidentiality agreements and provide information to certain third parties, after which substantive negotiations would begin.

Last night Tate was studying the Staley rejection, which had been expected.

Tate owns just under 5 per cent of Staley.

On Wall Street, Staley shares rose $1 to $37⅞ by early afternoon, reflecting the belief that Tate will have to raise its $32 offer if it is to stand any chance of success. Tate shares closed 1p lower at 760p.

Staley said its management was consulting financial and legal advisers about alternative methods of increasing the value of its shares.

In addition to a "white knight" sale, these included restructuring or recapitalisation, sale of equity or other securities to a third party, creation of a joint venture or a leveraged buy-out.

Staley also delayed, at least until May 4, the implementation of one part of its "poison pill" defence which otherwise would have automatically taken effect today.

The rejection came 13 days after Tate launched the hostile bid, with which it hopes to add corn-based sweeteners to a North American product range which already includes cane and beet sugar.

Corn products account for 65 per cent of US demand for industrial nutritive sweeteners.

High fructose corn syrup, for example, is used in 95 per cent of non-diet soft drinks in the US.

Restructured Kalamazoo back in the black

Kalamazoo, business systems and services group, reported a strong return to the black for the six months to January 31 1988. Compared to a loss of £576,000 last time, the taxable profit came out at £284,000.

The Kalamazoo Workers' Alliance bonus was £113,000 (nil). Earnings per 10p share emerged at 0.6p (0.6p losses).

For the first time since 1985 there will be an interim dividend – of 0.5p – and Mr Tom Garnier, chairman, said that the forecast final will not be less than last year's 1.5p.

Mr Garnier said that the benefits from the reorganisation of the past few years were continuing and that they were enhanced by the restructuring of the last nine months.

Suter stake raised

Suter, industrial conglomerate, has lifted its stake in Metal Closures, containers group, to 6.37m shares representing 25.12 per cent of the equity.

Tourists help boost Liberty profit to £5.7m

BY PHILIP COGGAN

THE RETURN of tourists to London after the terrorist scare of 1986 helped Liberty, the textile retailer and wholesaler, to increase pre-tax profits from £3.96m to £5.7m last year.

However, the company said that sales and wholesale orders in the first few weeks of 1988 were running marginally below expectations.

The company has until recently been defined as a "close" company under the provisions of the Income and Corporation Taxes Act, 1970.

Although that is no longer the case, the shares are very tightly held. The non-voting shares rose 5p to 648p yesterday.

The best performing division was converting and wholesaling which improved profits from £1.87m to £2.75m, thanks to increases in both volumes and margins and a new licence agreement with WestPoint Pepperell in the US.

UK retailing also did well, improving profits from £2.17m to £2.58m as the tourists returned.

The group also benefited from a rates rebate of £501,000 on its Regent Street properties which was recorded as an exceptional credit.

However, despite management changes in the Dutch retailing operation, the company continued to disappoint and European retailing losses mounted to £504,000 (£149,000). The US retailing operation lost a further £119,000 (£120,000).

In France, the printing and dyeing subsidiary had to absorb a local tax of £75,000 and this held back its profits to £490,000 from the previous year's £542,000.

After tax of £2.49m (£1.64m), earnings per share were 53.3p (35.2p). The final dividend for the year is 8p making a total of 10.6p (9p).

Whatman Reeve rises to £7.9m

Despite the weakening of the dollar - the US being its major market - Whatman Reeve Angel lifted its pre-tax profit from £6.76m to £7.94m in 1987.

That reflected the strength of group trading and also the benefit of limiting currency risk by covering forward, the directors said.

Sales of the group, maker of products for separation and purification, declined in value from £35.34m to £32.98m, as the falling dollar masked the real progress. Had US sales been converted at the end-1986 exchange rate, the group total would have shown an increase of 8 per cent.

The directors are raising the final dividend to 2.8p for a 4p total (3.1p). They considered the outlook for continued satisfactory growth was encouraging, although there remained many uncertainties particularly in the foreign exchange markets. Both divisions had made a good start in the current year.

Balston division performed strongly, particularly in the US. This was the result of a greater percentage of direct sales and the success of new products.

International division had another good year. Improved manufacturing efficiency was again achieved, notably by some of the operations in the US.

Group trading profit came to £7.74m (£6.8m) and there was net interest receivable of £198,000 (paid £52,000). Earnings per share were 22.82p (19.34p).

AAH sells Focus

AAH Holdings, distribution group, has sold Focus Homecentres, DIY retailing operation, to Choice DIY for £3.2m in cash.

Johnston Press joins SE after 221 years

By Philip Coggan

A MERE 221 years after its foundation, Johnston Press, a local newspaper publisher and printer, is joining the stock market.

Johnston was established in 1767 as a small printing business by the great-great-great-grandfather of Mr Frederick Johnston, the current chairman. The company waited until 1846 before it bought its first newspaper, the Falkirk Herald, but it now owns 50, ranging from the Ossett & Horbury Observer to the Kirkintilloch Herald.

The main thrust of expansion has come over the past 10 years after the company acquired Edmonds of Chesterfield, publisher of the Derbyshire Times. From its original base in Scotland, Johnston's business has gradually spread southwards, culminating in the purchase of the West Sussex County Times Group for £3.8m last month.

About two-thirds of the group's turnover comes from advertising revenue earned by its 29 paid-for and 21 free newspapers. Contract printing and typesetting contributed a further fifth of last year's sales.

Overall, Johnston's turnover has increased from £12.1m in 1983 to £29.6m last year, while profits have risen from £938,000 to £8.03m over the same period.

Hill Samuel is placing 6.1m shares, 25.7 per cent of the enlarged equity, at 122p each, giving Johnston a market capitalisation of £29m. The historic p/e ratio is 13 at the placing price.

The bulk of the shares being placed are new and the Johnston family is not selling any of its equity. Family interests will retain a stake of 59 per cent following the issue.

P&P in move to main market

By Philip Coggan

P&P, a microcomputer distribution company, has announced details of its flotation on the main market. Schroders is placing 8.56m shares, 30 per cent of the equity, at 175p each, giving the group a market capitalisation of just under £50m.

P&P was founded in 1980 by Mr Peter and Ms Pamela Fisher and traded initially as Pete and Pam Computers. Turnover has grown from £8.65m in the year to November 28, 1983 to £70.8m last year with profits advancing from £859,000 to £4.26m over the same period.

Based on last year's earnings per share of 12.1p, the shares are on a p/e ratio of 14.5 at the placing price. Of the £15m placing proceeds, around £11.9m will go to the company.

Broadcast sees £128,000 rise

Broadcast Communications saw pre-tax profits improve from £22,000 to £150,000 in the six months to end-December 1987. Turnover jumped from £189,000 to £2.17m. The company, which is traded on the Third Market, is engaged in corporate communications services and television programming.

The directors said the substantial improvement reflected a first-time contribution from Business Television, satisfactory trading by Braham Hill and further progress in rationalising the former Edenspring interests.

Cradley up midway

Cradley Print, lithographic printer, lifted its pre-tax profit from £533,000 to £611,000 in the half year ended December 31 1987 on sales up 22 per cent to £6.34m.

Earnings worked through at 1.17p (1.08p) per share.

Defence subsidiary forces Ropner down to £4.13m

BY DAVID WALLER

A DRAMATIC downturn in the profitability of the defence subsidiary helped depress pre-tax profits at Ropner, the mini-conglomerate, by £1.45m to £4.13m last year.

The 26 per cent decline in overall pre-tax profits masks a huge fall in the contribution from Airtech, the defence communications company. However Hozelock, the garden products company, had a good year.

Airtech made profits of just £163,000 last year, against £3.74m in 1986. The impact of this on group profits was mitigated by the contribution from Hozelock, which made £2.34m against £1.81m the previous year. Mr Roger Winter, finance director, said that Airtech had been unable to win any significant amount of business after its contribution to the Ministry of Defence's Ptarmigan project came to a halt in the first half of the year.

He said that Airtech's order book was at an extremely low level, and that new business was more difficult for sub-contractors to come by in the era of competitive tendering for MoD contracts.

By contrast, demand for Hozelock's range of sprinklers, hoses, barrows and other garden products was strong last year despite a wet summer.

Insurance broking returned to profitability after the closure of the US operation, making £97,000 (£140,000 loss); property made £1.32m (£964,000); shipping made £1.87m (£1.36m)

Group turnover fell from £54.83m to £52.07m, and earnings per share edged down 1p to 9.5p. Interest payable was £1.8m (£2.28m), reflecting lower group borrowings of £14.2m (£21m).

The directors recommended that the final dividend be maintained at 4p, making 7p for the year (6.5p).

The fall in profits had been anticipated by the stock market and Ropner's shares closed down only 1p at 118p.

Herring Son and Daw surveys market debut

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Herring Son and Daw aims next month to become the fifth chartered surveyor to take a full listing and the first since the market crash last October.

Hoare Govett will offer investors 25 per cent of the capital to raise £2.5m and capitalise the company at about £10m. All of the funds raised will be put back into the business, partly to finance acquisitions and partly to expand the rating side of its activities, to prepare for the introduction of the uniform business rate in 1990.

In terms of turnover, Herring will be the second largest chartered surveyor on the market, after Debenham Tewson and Chinnocks. Other surveyors which have recently sought listings are Baker Harris Saunders, Fletcher King and Sinclair Goldsmith. De Morgan has a quotation on the USM.

This listing and those which preceded it are part of a general realignment among chartered surveyors. Old partnerships have been incorporating and mergers have proliferated in an atmosphere of heightened competition.

Herring was established in 1773. It became an unlimited company in 1973 and was incorporated with limited liability last year. It is active in the agency, investment and building services sector, but has a strong rating department. Latterly it has been expanding into specialised areas of the property business, dealing, for example, with the motor trade.

Pretax profits at Herring have grown from £168,000 in 1984 to £1.09m in the year to January 1988.

SEET US buy

Scottish English & European Textiles, fabric and clothing manufacturer, is to buy the Homemaker chain of 19 bedlinen and bathlinen shops in the US.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Addison Consult ...fin	1.9	June 3	1.7	2.8	2.5
Brixton Estate ...fin	4.8	July 16	3.9	7.8	6.5
Epicure ...fin	0.5†	-	0.3	0.75	0.3
Eywin Group § ...fin	3.2	-	-	4.8	-
Etam ...fin	4.45	July 1	3.4	6	4.7
Govett Strategic ...int	1.4	-	1.3	-	4
Grampian TV ...fin	2.07	June 24	1.87	2.5	2.3
Helical Bar ...fin	3	-	0.4	3.4	0.4
Hestair ...fin	3.4	July 1	2.8	5.4†	4.5
Inchcape ...fin	18.5	-	13.85	27	21
Jacques Vert § ...fin	8.5	-	7	8.5	7
Kalamazoo ...int	0.5	-	-	-	1.5
Liberty ...fin	8	-	7.2	10.6	9
Reed (Austin) ...fin	5.5	-	4.5	8.5	6.5
Riv Merc Cap Inc ...fin	2.2	-	2	5.5	5
Ropner ...fin	4	-	4	7	6.5
Viking Res Trust ...fin	1.45	June 27	1.45	2	2
Whatman Reeve ...fin	2.8	-	2.1	4	3.1

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- British Empire Securities and General Trust, Drayton Consolidated Trust, Ulster TV.
Finals- Civil Oil, Eastern Produce, Farnell Electronics, Grand Central Investments, Huntleigh Technology, Nash Industries, James Neill, PlasticConstruction, Securities Trust Scotland, Systems Reliability, TR Natural Resources, E. Upton.

FUTURE DATES

Interims-	
Chemex International	Apr 29
English China Clays	May 12
Hatfield Estates	Apr 27
Keystone Investment	May 3
Royal Bank of Scotland	May 4
UK Land	Apr 26
Wellcome	May 6
Finals-	
BDA Holdings	Apr 25
British and Commonwealth	Apr 28
Holt (Joseph)	Apr 26
Marks and Spencer	May 11
Metal Box	Jun 7
Micro Focus	Apr 28
Molynx	Apr 26
Walker (J.O.)	Apr 27

Wm Low climbs 33% to £4.57m

BY PATRICK DANIEL

William Low, the Dundee-based supermarket group, lifted its operating profit for the six months ending March 19 by 38 per cent to £5.62m – well ahead of City expectations. This was achieved on turnover up from £131m to £138.4m.

After an interest charge of £1.05m, pre-tax profit was £4.57m, up 33 per cent from £3.44m.

The results follow a one percentage point improvement in its trading margins to 4.1 per cent, as the group, one of two remaining independent food retailers in Britain, shifted its business to larger full-facility stores.

Turnover in volume terms, after adjusting for price inflation and the sale of its Lowfreeze business, was up 10.5 per cent, of which 8 per cent came from newly opened stores.

The group has proposed an interim dividend of 5.5p (5p). Earnings per share were 24.5p, up from 18.4p.

The company said its store expansion programme was "in high gear" with four openings since last September

Another 120,000 sq ft of new selling space will be added before the end of the year, making a total of 700,000 sq ft.

While this pace of development raised bank borrowings at the close of its half-year accounts, proceeds from its recent issue of 32.66m £1 convertible preference shares have brought its gearing down from 65 per cent to below 5 per cent.

Mr Christopher Blake, chairman, said this created "a desirable flexibility for future investment plans".

The company's ordinary shares rose 20p yesterday to close at 585p. Its convertible preference shares closed at 113p, up 5p.

Jacques Vert moves up 29% to end at £4m

By Alice Rawsthorn

Jacques Vert, the USM-quoted womenswear manufacturer which is expanding rapidly into retailing, yesterday unveiled a 29 per cent increase in pre-tax profits to £4m in its last financial year.

The group's sales rose even faster to £23.4m (£16.1m) in the year to January 19 1988. But the scale of investment in the expansion of the company's retail activities; the strengthening of the management team and the cost of new warehousing facilities took their toll on profit margins.

Mr Alan Green, joint chairman, said that the group was investing in the future, by building up its infrastructure "for the next phase of growth".

Earnings per share increased to 28.1p (21.6p) and the board proposed to increase the final and total dividend to 8.5p (7p).

Within the UK, sales rose to £20.1m (£14.7m) reflecting the growth of wholesaling activities as well as the expansion of retailing. During the year Jacques Vert added three new shops to its established chain of 11 units. Retail sales – included in the UK total – rose to £2.6m (£1.6m). Mr Green plans to open seven more shops by the end of this financial year.

He said that the retail chain would continue to expand, but that the group would only open in sites which would not compete directly with its established, efficient wholesale customers.

Over the past two years Jacques Vert has built up its business overseas. Export sales more than doubled to £2.9m (£1.4m) last year, as a result of growth in the US and Europe. Mr Green said that, although the strength of sterling may make exporting to the US more difficult, it has not affected overseas sales so far.

The group's production plants are operating at full capacity and it is currently considering expansion. Mr Green is deciding whether or not to replace some of the older equipment.

He said that the all three factories are now "fully booked up" to meet demand for the present year and that the retail chain is also showing sales growth.

● **comment**

In theory Jacques Vert's share price should be in the doldrums. It is after all a member of two of the worst performing sectors in the wake of the market crash: textiles and small companies. Yet the company has clinched the double coup of outperforming not only both its sectors, but the rest of the stock market too. In the past Jacques Vert has earned its premium with a formula of tight cost control and efficient production. For the future it waxes confidently about the scope for organic growth within the home market, and cheerfully dismisses its overseas sales as "too small" to waste time worrying about exchange rates. Jacques Vert should muster £5.5m this year and a prospective p/e of 9½. Undemanding.

Woodington suspends

Trading of shares in JH Woodington, women's footwear company, were suspended yesterday pending the issue of a circular to shareholders.

Farmers wins bid hearing delay

BY NICK BUNKER

Farmers Group, the US insurer, has won a postponement of a key regulatory hearing in Los Angeles over the hostile $4.5bn (£2.4bn) bid for the company by BAT Industries, the UK tobacco, retailing, paper and financial services group.

A California Superior Court judge has ordered the state's insurance commissioner to reschedule the start of the hearing from May 4 to May 23, Farmers said yesterday.

This represents a small tactical victory for Farmers, since it means BAT cannot receive formal approval for its bid from the state before Farmers Group's annual stockholders' meeting on May 20.

Under local law, the commissioner has to approve BAT's plan to take over the company. After ordering the rescheduling of the hearing, Judge Miriam Vogel ruled on Wednesday that the commissioner must issue a ruling on the bid two weeks after the hearings end.

According to Farmers, Judge Vogel gave as one reason for the postponement, evidence indicating that there were what Farmers called "fundamental gaps" in BAT's original Form A, the principal document which companies have to file with state insurance regulators when they apply to take over a locally-domiciled insurer.

BATUS, BAT's main US subsidiary, said yesterday it was pleased that Judge Vogel's order assured a decision early in June "which we expect to be favourable to BATUS."

Savage issue to raise £15m

By Michael Smith

Savage Group, DIY and hardware company, yesterday announced plans to raise £15.1m through the issue of convertible preference shares. About half of the money will be used to fund two French deals.

Savage is paying £5.4m for Habitat, a homecare products specialist, and £1m for a 20 per cent stake in Triplex, distributor of power tool accessories.

The rest of the proceeds of the placing and open offer of the convertible shares will be used to reduce gearing to about 60 per cent.

In 1986 Habitat made pre-tax profits of £1.5m on sales of £41m. Triplex made £400,000 on sales of £10.1m.

Savage has the option to buy the rest of Triplex over a seven-year period.

Mr David Brown, Savage chief executive, said yesterday there was significant scope to increase sales of Triplex and Habitat product ranges outside France.

Habitat's distribution network would also provide Savage with the opportunity to increase sales of its existing products in France.

Pearson in pension fund manoeuvre

Pearson, the publishing, banking and information conglomerate which owns the Financial Times, plans to merge the pension funds of about a dozen subsidiaries into a new independent fund which would have considerable protection against a predator making a successful bid for the group.

The move comes at a time when Pearson is surrounded by considerable bid speculation, following the build-up of a 20.5 per cent stake in the group by News Corporation, the media business headed by Mr Rupert Murdoch.

As part of the package, the Financial Times also announced yesterday that it would make contributions to the pensions of employees who opted out of the Pearson scheme under the Government's portable pensions legislation. This move is believed to be highly unusual. Only one or two other companies are thought to have announced they will be contributing to personal pension plans on the same scale.

Peel £30m debenture

Peel Holdings, the property group specialising in industrial estates and edge-of-town shopping developments, yesterday took the financial restructuring it started last year a stage further.

It announced the issue of £30m worth of 9¾ per cent first mortage debenture stock 2011. N M Rothschild will subscribe or procure subscribers for the stock. The issue price and yield will be announced today.

This is the third tranche of the Peel debenture stock to be placed. It would bring the total in issue to £100m.

Deadlock broken at Unichem

MR JOHN NEWBOULD, a chemist from Rotherham, has broken the deadlock in the saga of UniChem, the co-operative of independent chemists currently subject to an unwelcome £65mtakeover bid from Macarthy, the listed healthcare group.

Mr Newbould has assembled the necessary support of over 500 shareholders in UniChem for an extraordinary meeting at which it would be considered whether UniChem should turn itself into a public company now or in 1990 as planned.

Mr Peter Dodd, chief executive of UniChem, dismissed Mr Newbould as a "plant" of one of his wholesale chemist competitors – but conceded that once a valid requisition for the meeting had been received, he would have to send out notice of the EGM within 10 days.

Macarthy, which is also believed to have won the support of 10 per cent of Unichem members for an EGM, has so far not declared its hand. A spokesman said yesterday that the latest development would bring pressure on Mr Dodd to agree to a takeover – but Mr Dodd said yesterday that he would only be prepared to meet Macarthy if the terms of its offer were "substantially" improved.

Propeller tops £0.4m and orders well ahead

Propeller, men's leisure and casual wear group floated on the Third Market last November, produced turnover of £6.04m and pre-tax profits of £418,000 in the year ended January 31 1988.

Of the figures, £2.83m and £156,000 respectively were earned in the first seven months when the company was still controlled by Corton Beach. The profit of £261,000 made in the remaining five months exceeded the group's forecast of not less than £245,000.

Mr Mike Keen, chairman, said the current year had started well with orders substantially ahead.

Trading would benefit from a full year's contribution from the sweatshirts and T-shirts division, which had been completely integrated. Knitwear was being introduced and profits would come into the second half.

Control changes at Assoc Energy

MANAGEMENT control at Associated Energy Services, the USM-quoted boiler maintenance contractor and catering equipment group, has passed to Cleves Investments.

Cleves bought a 14.9 per cent stake in the group including shares owned by chairman, Mr Maurice Fullerton, the "company doctor" who moved into AES at the end of 1985. Mr Fullerton has pulled the company out of the red but it still remains weighed down by borrowings.

Mr Leonard Lee, Cleves managing director, will become AES chairman.

Viking Resources

Viking Resources Trust net asset value per share fell by 6.5 per cent from 63.8p to 59.6p for the year to March 31 1988 as total investments dropped from £33.01m to £28.53m.

The company said it is 18 months since a strategy of investment in oil and gas reserves through share purchases and property purchases was adopted. But hedging investment in UK gilt-edged securities had "stood the company in good stead", and Viking had £4.8m available for investment.

A final dividend of 1.45p makes a total of 2p (same).

Falcon reconstruction delayed

BY PHILIP COGGAN

The capital reconstruction of Falcon Resources, oil company, will have to await the conclusion of bankruptcy court hearings in Houston, Texas. Mr Jonathan Rosen and Mr Oliver Jessel, who recently took management control, are hoping to wind up FAE, the company which was operating the group's oil and gas fields in the US.

FAE is one-third owned by a subsidiary of Falcon. The other two-thirds are owned by companies controlled by former chairman Mr Ronnie Monk and Mr Bill Andrau. Mr Monk is still on the board and is locked in dispute with Mr Rosen and Mr Jessel.

That means that shareholders are still facing a long wait before they see the resumption of dealings in the shares, which were suspended in October 1986.

When the case is settled, Mr Rosen and Mr Jessel hope to inject new capital into Falcon and re-list via the establishment of a new holding company, Louisiana Interests.

UK COMPANY NEWS

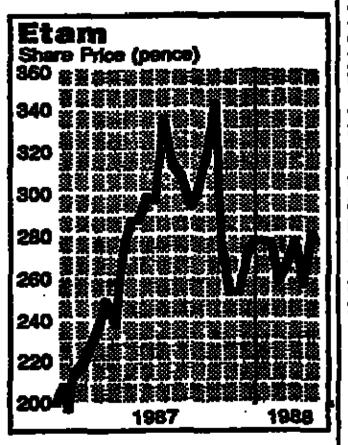
All-round growth helps Etam to £17.9m

By Maggie Urry

INTERNAL GROWTH and acquisitions boosted annual pre-tax profits of Etam, clothing retailer, by 46 per cent to £17.9m.

In the year ended January 30, sales rose by 43 per cent to £113.9m. Mr Miles Drake, finance director, said that 13 per cent of the gain came from the Snob and Peter Brown businesses bought in May last year.

Another 30 per cent of the rise was produced by the Etam and Tammy Girl shops; 20 per cent



from volume growth in existing stores, 9 per cent from new stores and 1 per cent reflecting price increases.

Mr Drake said that in the first 11 weeks of the current year sales were running ahead by roughly the same amounts.

By the year end the group had 175 stores with total sales area of 473,000 sq ft, a rise of 40.5 per cent.

Capital expenditure totalled £14.8m, with the two acquisitions costing £11.9m. A share placing last August raised £33.6m and left the group with net cash of £30.3m.

Net interest receivable rose to £1.1m (£202,000). Earnings per share rose almost 33 per cent to 19.6p. A final dividend of 4.45p is recommended to give a total of 6p (4.7p).

● comment

Etam's good figures were not unexpected, and owe something to comparison with a difficult period the year before. Nevertheless, the group has done well to increase sales by so much when other women's clothing retailers have been suffering, and the shares added 7p to 284p on the news. Etam appears to have worked fast to get Snob and Peter Brown up to its standards and integrate its systems. With plenty of cash to spend on expansion, though probably not more acquisitions, there should be no difficulty in keeping the momentum going for a few years yet. And the combination of the chains – attacking different parts of the market – on multi-shop sites should offer more opportunities. A forecast of £23m for the current year is not excessive, nor is a prospective p/e of around 12.5.

Lyonnaise acquires 12.5% of East Worcs Water

BY ANDREW HILL

Lyonnaise des Eaux, the last of the big three French water suppliers to announce investments in the UK's statutory water companies, yesterday said it had acquired 12.5 per cent of East Worcestershire Waterworks Company.

Earlier, East Worcestershire asked for its shares to be suspended pending an announcement from the Takeover Panel.

The statutory company is the subject of an agreed bid from Biwater, a private water contractor, and the panel is thought to be investigating a possible breach of rule 8 of the Takeover Code by Lyonnaise and its advisers, Bankers Trust International. The panel confirmed it was looking at the situation.

In the past, companies have had to give up shares acquired in breach of the code.

Mr Alan Booker, chief executive of the statutory company and head of the management group of Biwater Supply – through which Biwater is making the bid – said he had not spoken to Lyonnaise about their intentions.

"We will have to think our way forward very carefully. It will be slightly uncomfortable if they retain their holding," he said yesterday.

Biwater and East Worcestershire had hoped to pool their expertise and develop business opportunities in the UK and overseas. Such an arrangement could be compromised by the presence of a large shareholder also active in the water business especially since East Worcestershire, unlike some statutory companies, does not limit the voting rights of its shareholders.

Rule 8 of the Takeover Code specifies that anyone owning or dealing in 1 per cent or more of a company involved in a bid should declare any such dealings before 12 noon on the business day following the transaction.

Bankers Trust notified the Stock Exchange yesterday of two major purchases of East Worcestershire stock. One purchase was made on April 14, the day before the original closing date of the Biwater offer, and the other on April 20.

Lloyds Merchant Bank, Biwater's adviser, queried certain share purchases with the Takeover Panel. The bank was particularly concerned, it said yesterday, because the bid was at a sensitive stage.

"We extended the offer [to April 29] in the light of market conditions which may now turn out to have been false," said the bank yesterday.

Earlier in the week Biwater announced it had received acceptances equivalent to 45.83 per cent of East Worcestershire's voting capital and that the bid, which values the water company at about £2.98m, had received clearance from the Office of Fair Trading.

Lyonnaise said yesterday that it had increased its stake in Bristol Waterworks Company, another statutory company, to about 17 per cent.

On Tuesday, Lyonnaise revealed a 15.5 per cent holding in Bristol Waterworks, which limits shareholders to a very small number of votes, irrespective of the size of their stake.

Addison up 33% prior to demerger

Addison Consultancy Group lifted pre-tax profits by 33 per cent from £6.4m to £8.53m pre-demerger for 1987 on turnover up from £85.4m to £115.6m. A second interim dividend of 1.9p has been recommended, making a total of 2.8p (2.5p). Earnings per share rose from 8.79p to 9.27p.

In February the directors proposed the demerger of Addison's recruitment services division into a new holding company, Michael Page Group. Mr Julian Broad, Addison chairman, said the success of the company in marketing services and recruitment had not been fully recognised by investors. This had led to a lack of clear market positioning which resulted in a relatively low market rating.

Because the demerger process had taken a great deal of time and effort, he anticipated that 1988 would be a year of only modest growth in marketing services.

Pro-forma post-demerger figures show that Michael Page Group's contribution to 1987 results was pre-tax £4.06m on turnover of £30.95m.

Nikki Tait examines the options facing Crescent Japan shareholders

Trusting in an established record

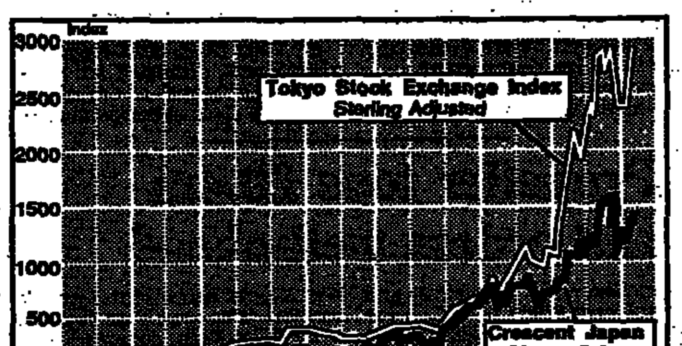
"IF Crescent Japan goes, are any of us safe?" That was the grim thought passing through one rival fund manager's mind, as he contemplated the fate of the £110m investment trust, managed by Edinburgh Fund Managers.

Crescent's future will be known shortly after 3 pm this afternoon when shareholders vote on rival motions – one suggesting that the trust continue as at present, the other requesting the board to turn it into a unit trust.

At one level, the Crescent battle is nothing remarkable. Reorganisation schemes – pre-emptive or forced – have mushroomed in the sector recently, and the fund could not be classed as one of the industry's heavyweights. Its fate, in the words of one analyst, "scarcely represents the industry's Waterloo".

Yet the tussle has commanded a good deal of attention. For a start, the issues are particularly clear-cut. The American concert party which has built up a 21 per cent stake makes no secret that its aim is "maximisation of shareholder value", which others might term more bluntly as discount-stripping – the elimation of the traditional discount suffered by investment trust share prices when compared to the trust's underlying assets.

The seven-strong band of US investors, centring around the Sterling Grace brokerage business in New York, is proposing a straight-forward unitisation – that is, the transformation of the closed-end investment trust into a unit trust where price and underlying assets are directly related. The move, it calculates, should allow shareholders to



cash in at around 98 per cent of net asset value (assuming the fund managers take about half the maximum termination fee).

But perhaps the more interesting point is that – in contrast to many fellow targets recently – Crescent has not resigned itself to its fate or produced a preferable reorganisation scheme of its own. Instead, it has boldly fought the issue on its record.

The wisdom of that decision may be questionable. Although the fund tracked the Tokyo market fairly closely in the first decade after formation, more recent performance – once the exchange benefits have been stripped out – has been considerably less impressive (see graph). And, as the US concert party has highlighted mercilessly, the fund made the error – albeit understandable – of going highly liquid after Black Monday, a period when Japan has been the best performing of the world's three major markets.

That said, many fund managers would be grateful to have Crescent's overall record on their side. While a few shareholders may cast envious eyes at a sterling-adjusted Tokyo index, it is difficult to be very dissatisfied with an investment which has multiplied almost 15 times in as many years. Hence the reasoning that Crescent's possible demise leaves everyone in the industry more vulnerable than ever.

There is the rub. The industry's problem can be stated simply. Total assets held by investment trusts are around £20bn. Institutions, in turn, hold around 75 per cent of trusts' shares. And while some of these shareholders are still supportive of the industry, it is reckoned that perhaps half to two-thirds would like to cash in when the terms are right.

The explanations are twofold. The kinder argument is that many institutions have increasingly developed their own in-house specialists and no longer need to buy in the services of investment trust managers. The more Machievellian thought is that many of the industry's long-term holders are now heavily involved in marketing their own rival unit trusts.

Either way, the recent wave of agitation by discount-strippers appears to have concentrated minds anew on the problem of where replacement investment – amounting to as much as £10bn – might come from.

The most obvious solution would be to tap the private investor market. With envious eyes cast at the £6.3bn which flowed into the unit trusts during 1987, there is one school of thought which believes that a renewed marketing effort on the back of the new Financial Services Act, could at least ease the problem. Philip Chappell at the Association of Investment Trust Companies, argues that new rules insisting that intermediaries give "best advice" could favour investment trusts, given their somewhat better long term record.

Other solutions are more imaginative. Still, on the marketing front, one manager points to the possibility of tapping foreign investors. Another much-mooted suggestion is that some trusts could convert into index funds. A US-style cult of the fund manager – allowing some trusts to sell on the personality and ability of the person handling the investments – is perhaps more fanciful.

Whether all that begins to add up to £10bn is highly questionable. And it is certainly of little comfort to Crescent: yesterday, EFM was saying only that it believed it had fought on the rights grounds and felt its case had been clearly made. At least, if Crescent does go down, a wave of not entirely disinterested sympathy may flow with it.

Helical Bar in modest rise as profits source widens

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Helical Bar, the property company run by Mr Michael Slade, yesterday announced a modest increase in pre-tax profits for the year to January 1988 but disclosed that the source of its profits had markedly widened.

The proposed final dividend of 3p brings total payments for the year to 3.4p, compared with 0.4p the previous year. Pre-tax profits in 1987 came out at £7.16m (£6.66m) and earnings per share rose to 22.1p (20.2p).

Over the last financial year, Helical Bar has undergone a sea-change. In 1986, 80 per cent of its profits came from the sale of one City development in Chiswell Street. That proportion fell to 30 per cent last year and there will be no contribution this year.

The slack has been made up largely from trading industrial properties and closing out the company's position in residential property. Helical Bar's most notable acquisitions were the commercial property estate of the Aycliffe and Peterlee Development Corporation and an Allied Dunbar portfolio.

The company has also launched a development programme of setting up provincial offices, financed almost exclusively by non or limited-recourse bank borrowing.

"We see ourselves as developers building up an investment portfolio, easing the switch by fairly aggressive trading," said Mr Slade.

The switch will continue this year and 1988 profits will depend largely on the trading results and to a lesser extent on the flow of revenue from retained industrial properties.

Mr Slade, who attracted some notice because his salary topped £1m a year – largely because it was tied to a 15 per cent share of the company profits – earned in the year to end-January some £600,000. The profit-sharing arrangement is being phased out and this year he will be on a salary of about £300,000 while holding some share options.

Hestair surges 82% and expands further in US

BY MICHAEL SMITH

Hestair, employment agency, consumer products and engineering group, yesterday announced an 82 per cent rise in 1987-88 profits and a £6.34m acquisition in the US.

Mr David Hargreaves, chairman, said that in the first two months of this year the company was way ahead of budget and a long way in front of last year. The UK employment agencies had started sensationally.

Near doubled profits of £8.95m from employment agencies, contract computer staff, property and health care helped to boost group pre-tax profits in the year to January from £7.33m to £13.35m. Turnover was up from £135.22m to £216.83m.

Trading profits of the engineering division improved from £1.8m to £3.44m and consumer products from £2.98m to £3.48m.

Mr Hargreaves said the engineering order book this year was 60 per cent up on the comparable period of 1987-88. The bus and coach division was showing a 162 per cent improvement.

After tax last year of £2.46m (£760,000) earnings per share were 34 per cent ahead at 24.3p (18.1p).

The final dividend is 3.4p, making a total for the year of 5.4p, a 20 per cent rise.

Almost a year after first moving into the US employment agency business, Hestair is making its eighth acquisition there.

The £6.34m acquisition of Goodfriend Industrial Services, a temporary employment agency with nine branches in Washington, will be satisfied by the issue of 2.38m shares, most of which are being offered to shareholders.

Deferred consideration for previous acquisitions means shareholders are being offered 5.25m shares at 270p on the basis of four for every 37 held.

Hestair now has 130 branches in the US and says higher than expected profits being achieved by them outweigh any weakness of the dollar. Its target is 200 branches.

In consumer products Kiddicraft, the toys group, was helped to more than £1m pre-tax profits in 1987-88 by increased TV advertising. Hope's, the educational supply business, made only limited gains, partly because of intense competition from Hollis.

● comment

Americans apparently find it difficult to understand why the British rate Hestair so poorly. US employment agencies are trading on prospective p/es of about 17, but if Hestair makes pre-tax profits of £22m this year its multiple will be around 9. Hestair is of course not just a services company but this year about two thirds of profits will come from that source. And the majority of the services division's profits will come out of the US, where the temporary payroll is growing by about 13 per cent annually. Hestair reckons it can grow US turnover by 25 per cent and profits by considerably more. Investors are perhaps held back by the company's involvement in engineering, but a booming buses market should help this division to raise profits by perhaps another 70 per cent. Hestair likes to make acquisitions on a region-by-region basis, so there is no danger of an issue of shares like that of its competitor, Blue Arrow, last year. The Americans are right: Hestair deserves a better deal from the market.

Brixton Estate shows growth in assets and profits

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Brixton Estate, the property investment group with a strong industrial and offices portfolio, yesterday surprised the market by announcing a 34.2 per cent increase to 302p in its net asset value per share.

In a strong property sector, the shares rose 15p to 290p after touching 293p.

The rise was largely attributed to the increasing value of the group's office properties in the Holborn area, adjacent to the City of London, and to the underlying strength of the industrial property market.

At the same Brixton announced that pre-tax profits for 1987 rose to £13.2m from £10.78m in 1986, an increase that was at the top end of City expectations.

Earnings per share moved up to 11.94p from 9.79p.

Shareholders are to receive a final dividend of 4.8p which, with the interim dividend, brings total payments for the year to 7.8p, compared with 6.5p last year.

In line with the generally strong property market Brixton's net rental income climbed to £25.4m last year from £22.8m in 1986.

This income formed the basis of a rise in investment profits to £12.1m from £10.1m in 1986.

These profits, however, will have been held down by the need to carry the costs of property holdings in the depressed Houston area of the US.

The group has been following through a £100m development programme, which includes extension of its industrial estate at Dunstable, Bedfordshire, a corporate centre at Feltham, Middlesex, and offices both at Finsbury Square in the City, and near [illegible] the City fringe.

Brixton said yesterday that the budget proposals on capital gains tax had been highly beneficial.

It said that if all investment properties were sold at book value the new tax liability would be £16m instead of £49m previously.

● comment

Brixton is the most highly geared of the major British property investment groups with net debt consistently around 80 per cent of shareholders' funds. This helped enhance the net asset value when brought down to the per share level. But the underlying factors of an increase in the value of its portfolio last year should hold good this year: the industrial market is strong and the group's City developments are pre-let. Analysts are looking for a further increase over 1988 to more than 370p a share. More industrial and office properties are becoming available for rent this year and should strengthen the revenue stream, so that pre-tax profits of £15.5m look on the cards. This would translate into earnings per share of 14.2p, giving a prospective p/e of 20.4.

Improving margins help Austin Reed to pass £8m

BY ALICE RAWSTHORN

Austin Reed, the classic men's and women's wear group, yesterday announced a 32 per cent increase in pre-tax profits to £8.1m for the year ended January 31 1988, on sales ahead 9 per cent to £70.4m.

Mr Barry Reed, chairman, said the group's performance reflected "outstanding" trading in the first half of the year, followed by "good progress in the autumn".

A growth in earnings per share to 18.7p (14.1p) reflected both the buoyant pace of trading and the improvement in margins.

The board proposes a final dividend of 5.5p making 8.5p (6.5p) for the full year.

Austin Reed is involved with both retailing – which provided 76 per cent of sales – and manufacturing. It sports 41 shops in Britain and Holland, all now stock women's wear for the first time.

It opened its first new shop for some time – in the City – last autumn. "The shop opened on the day of the hurricane and three days before the stock market crash, but is trading very well," said Mr Reed.

The group plans to open more shops in the next few years. Mr Reed envisages an eventual chain of 50.

It is also in the throes of a refurbishment and resiting programme. So far 15 shops have been refurbished. The whole chain should be completed within three years.

Austin Reed also plans to expand the recently acquired Cashmeres of Scotland chain of luxury knitwear shops in the US to 15 or 20 units. It intends to open the first European unit later this year in London.

On the manufacturing front, the group has expanded its production capacity in Crewe and has just bought a small "satellite" factory. It will continue to expand its women's wear.

Mr Reed expects its contribution to retail sales to rise from 19 to 25 per cent over the four years.

The only difficult area of trading was licensing in the US, where sales increased but income fell slightly because of the dollar's decline. This was offset by a currency gain to licensing income from Japan.

Mr Reed said that the present year had begun well, with retail sales showing growth of 11 per cent.

● comment

In the past Austin Reed has tended to be dismissed as one of the sleepier elements of the clothing industry. No more. Behind the genteel facade of its classic tailoring, it is quietly revitalising its activities. The business is already benefiting from investment in store refurbishment and computerisation. This year the fruits of expansion within women's wear and new openings should start to filter through. The Cashmeres of Scotland concept offers lots of scope for future growth and the problems of Robertsons seem, at long last, to have been resolved. The present pace of trading augurs well and the City expects profits of at least £9.25m for the present year. This leaves the shares, on a prospective p/e of 11, with a little further to go.

Advertising decline hits Grampian TV

Taxable profits of Grampian Television declined by 16 per cent to £1.48m in the 12 months to February 29.

Sir Iain Tennant, chairman, warned of a possible setback at the time of the interim statement in November. He attributed the shortfall to "the continued drift in advertising revenue to the south of the country". However, he expressed optimism over current trading and stated that the group had made a bright start to the year and that new measures were being developed to meet growing competition.

Turnover was virtually unchanged at £19.21m (£19.25m), while Exchequer Levy accounted for £192,000 against £266,000 last time. Earnings worked through at 6.49p (7.78p) per 10p share.

A final dividend of 2.07p is recommended, making 2.5p (2.3p) for the year.

Sir Iain said that he awaited the White Paper on Broadcasting with "some trepidation" and added that possible "disruptive interventions could seriously undermine the quality of British television".

Acquisitions prompt growth at Epicure

Epicure Holdings, engineering and construction services group based in the UK and Sweden, yesterday revealed another sizeable step foward in its recovery as pre-tax profits for 1987 expanded by 78 per cent to £1.26m.

The group, which ran into trouble in the mid-eighties, has been revamped by Mr Hakan Hammarqvist who took over as chairman towards the end of 1985.

He said that the group now had a stronger balance sheet than for many years and continued to look for growth opportunities complementary to existing activities. Funding would be provided from the sale of development land and surplus properties.

The net proceeds of last May's £2.8m rights issue enabled Epicure to reduce gearing as well as funding part of the group's acquisition programme.

Engineering activities, boosted by acquisitions, accounted for some 70 per cent of group turnover which expanded by 46 per cent from £23.38m to £34.02m.

The Sheffield-based Standard Piston Ring Co, acquired in October last year and merger accounted, and two Swedish companies purchased from Sandvik, Micor and Nordland, were the most significant of a number of acquisitions made over the year, Mr Hammarqvist said.

The figures also included a first time full year contribution from the Grimaldi companies, purchased in August 1986. Painting and civil engineering activities recovered well after a poor start, he added.

Earnings per 5p share rose to 2.76p against 1.85p last time, and the directors proposed a final dividend of 0.5p, making 0.75p (0.3p) for the year.

Epwin advances 16% to £2.1m

BY PHILIP COGGAN

Epwin, uPVC replacement window manufacturer, yesterday announced a 16 per cent pre-tax profits increase to £2.1m in its first preliminary results since joining the Unlisted Securities Market last year.

Turnover for the year ended December 31 1987 was £30.6m, up from £23.9m, and net operating income was £2.17m, against £1.91m last time.

After interest payable of £55,000 (£88,000), pre-tax profits were £2.11m (£1.83m). After tax of £427,000 (£544,000), earnings per share were 12.2p (10.2p). The company is proposing a final dividend of 3.2p, making a total of 4.8p.

Profits were held back by a £3m investment in a uPVC extrusion plant at Telford. However, the plant will give Epwin much stronger control over its costs in the long run. It also helped reduced the tax charge last year, since Telford is in an Enterprise Zone.

The Telford plant should be profitable this year. A further 50,000 square feet has yet to be developed at the site for use as a warehouse and distribution depot.

Mr James Rawson, chairman, said that the home improvements boom had meant extremely strong demand for the company's products. Epwin markets windows under the Europlas, Plastal and Total Window Systems brand names.

In September Epwin acquired Wrekin Windows, which manufactures windows for council housing, for £500,000.

Minorities took £3.52m (£3.42m) and dividends absorbed £686,000 (£150,000) to leave retained profit for the year down at £1m (£1.13m).

Analysts are looking for an increase in pre-tax profits to £2.7m this year.

COMMODITIES AND AGRICULTURE

Brazilian company plans $450m copper project

BY JOHN BARHAM IN SAO PAULO

COMPANHIA Vale do Rio Doce, the Brazilian Government-owned mining conglomerate, is planning to invest $450m over the next five years to develop a major copper reserve in the Amazon.

Company executives say, however, that the project is unlikely to reduce substantially Brazil's reliance on copper imports.

Vale do Rio Doce puts proven reserves at 250m tonnes of copper ore, but believes that copper ore deposits in the region could be as high as 1bn tons.

Mr Rubens Bandeira, the Vale official supervising the copper project, said he hopes to begin mining 7m tons of ore a year by 1993, which will yield 72,000 tonnes of metallic copper annually.

Brazil consumes 250,000 tonnes of metallic copper a year, but produces only 110,000 tonnes locally. Vale expects domestic demand to rise to 350,000 tonnes a year by 1993, which would actually increase the need for imports above current levels.

The mine is located in the company's Carajas mineral province in the Eastern Amazon. Carajas is rich in iron ore, gold silver and strategic metals. It is curently producing 28m tonnes of iron ore a year.

Mr Bandeira said the copper project would be partly financed from the sale of precious metals found in association with copper. Vale plans to set up a subsidiary with the Government's National Economic and Social Development Bank and private investors to develop the mine. Mr Bandeira says that the mine should provide a 10 to 15 per cent return on capital.

The final decision on when to begin work at the mine depends on the outcome of talks with bank representatives. The bank has financed part of the $3.5bn Vale has already invested at Carajas, and is entitled to one-third of the mineral rights.

Brazil has long sought self-sufficiency in copper supplies. It set up Caraiba Metais, an inefficient copper mining and fabrication company in Northeastern Brazil. The bank now owns Caraiba Metais and Vale do Rio Doce would eventually become the company's largest supplier.

Caraiba Metais has a monopoly on the supply of copper to the local market, but operates at a loss. Last year it lost $50m, because of high import prices and low domestic prices. In February it suspended deliveries until the Government authorised a 35 per cent price increase.

Philippines orders mine closure because of pollution problem

BY RICHARD GOURLAY IN MANILA

MARCOPPER MINING Corporation, which runs the third largest copper mine in the Philippines, has been ordered to shut its Marinduque operation indefinitely *after failing to meet government* pollution standards.

The mine is 40 per cent owned by Placer Dome Corporation of Canada, the publicly quoted mining company. It was producing nearly 9,000 tonnes of copper concentrate a month until Tuesday, a company official said.

Earlier this month, the Department of Natural Resources accused Marcopper of failing to reduce sufficiently toxic material and metal levels in its tailings – the sludge left after extraction of concentrate from copper ore – before dumping them into the sea.

The department ordered the *plant's closure, citing among* its reasons that the company did not have a valid permit and that 20,000 subsistence fishermen had complained of reduced catches.

Marcopper claims to have met all Philippine and international standards for the dumping of tailings and has appealed to President Corazon Aquino to reverse the decision.

The unusual elevation of the issue to Mrs Aquino brings Marcopper back full circle to when Ferdinand Marcos was in power. *In a note to Mrs Aquino,* the department said Mr Marcos gave "special dispensation to dump untreated mining waste into the sea in 1982."

Last year a former associate of Mr Marcos, Mr Jose Campos, revealed that he was holding 49 per cent of Marcopper's share on behalf of the deposed president and surrendered them to the new Government.

Marcopper has only made profits once this decade, in 1983, although it had hoped to go into the black this year. It forecast export sales of $40-45m in 1988, from the half of its concentrate not supplied to the Philippine Associated Smelting and Refining Corporation (Pasar).

The company supplies 10 per cent of Pasar's copper concentrate needs of around 500,000 tonnes a year.

Marcopper has been discussing pollution levels with the Department since 1986 but the talks have stalled, with the government accusing Marcopper of intransigence. *Meanwhile,* the company is setting up a submerged tailings disposal system to replace the present system.

Aluminium demand 'likely to stagnate'

By David Blackwell

ALUMINIUM consumption is likely to stagnate over the next year in spite of the reasonable economic background, according to the latest report from consultancy group Anthony Bird Associates.

The very short-term view is described as "pessimistic." Demand is starting to hesitate after recent high consumption figures as reaction sets in to to the dramatic rise in metal prices seen over the last 15 months and the deterioration of aluminium's competitive position in many markets, says the report.

At the same time production will rise further in coming months in response to high prices. This year will see a rise in stocks, the report predicts.

Eventually, production will have to fall again, and a drop in prices from the current levels of more than 100 cents a lb will be needed to bring this about, it says. "We expect that prices in 1989 (in today's money) will average 65 to 70 cents."

By late next year and in 1990, however, Bird expects *prospects to start to improve.* The group's forecast tables show that demand could once again be very strong in 1990, renewing pressure on the supply system.

This reinforces the fact that investment in new capacity is urgently needed. However, if new investment is to be secured it is important that prices settle at a much higher level in real terms than the depressed levels of the last five years, the report warns. "When all the wild gyrations of the short term are over, we expect that this will indeed happen," Bird says.

Outlook confused for Opec talks

BY STEVEN BUTLER

CONFLICTING signals continued to emerge yesterday over whether the Organisation of Petroleum Exporting Countries will succeed in cutting world oil production when it meets with non-Opec producers on Tuesday next week, to be followed by a full Opec ministerial meeting two days later.

The Iranian Deputy Oil Minister, Mr Hossein Kazempour Ardibelli, said in Jarkarta that China was curtailing its exports by 5 per cent in order to lend co-operation to Opec's efforts to stabilise world oil prices.

This appeared to be the first firm indication that China would be willing to cut output, although it was unclear if any conditions were attached to the offer. China has co-operated with Opec in the past.

Mexico, which is to be represented at the talks by Mr Fernando Hiriart, the energy minister, has indicated that it would be willing to cut its own exports, but only in conjunction with similar moves by other producers.

Oil prices firmed yesterday with Brent crude for May deliver up 35 cents at $17.125. June futures for West Texas Intermediate were up 55 cents at $18.225 on the New York Mercantile Exchange in midday trading.

The likelihood that Opec itself would agree to cut its output ceiling of 15.06m barrels per day, excluding Iraq, dimmed, however, with statements by Mr Ardibelli and by Mr Ginanjar Kartasamita, the Indonesian Mines and Energy Minister, that the quota need not be changed.

Mr Ginanjar expressed optimism that Opec could cut 300,000 b/d from output by sticking to its already-agreed quota levels, and that agreement could be reached by which non-Opec producers would cut production by 400,000 b/d.

This sort of agreement is regarded as unrealistic by some observers, who believe that non-Opec producers would agree to curtail production only in exchange for a substantial cut by Opec. These sentiments were echoed by Mr John Herrington, the US Energy Secretary, who said in Kuala Lumpur yesterday that his discussions with non-Opec producers *indicated* that co-operation with Opec was "doomed".

Colombia is one of the seven countries invited to attend the *meeting next* week, but has declined. Norway has said it would send an observer from Oslo. This indicates a slightly higher profile than Norway usually *adopts at* Opec meetings, although the observer would not participate in the actual meetings.

A KEY parliamentary report on future Norwegian oil field developments has been postponed, because of a continuing row over the country's oil policy, reports Reuter from Oslo.

Mr Egil Helle, an Oil Ministry official said the parliamentary industry committee had postponed its formal report, originally due *today,* because of contradictory advice from oil experts on North Sea developments.

"There have been differing viewpoints from various experts and this means that the committee has said it needs more time," Mr Helle said. The report will now be published at the beginning of May, but no date has been set.

Its main objective is to give a recommendation on the planned *development* of the Snorre oil and gas field, one of the largest known untapped sources on Norway's continental shelf.

Australia approves coal sales to Japan

BY CHRIS SHERWELL IN SYDNEY

THE AUSTRALIAN Government yesterday decided to approve controversial export sales to Japan of hard and soft coking coal, but said the go-ahead was subject to employment assurances from mining companies.

The announcement by Mr John Kerin, Minister for Primary Industries and Energy, came three weeks after he had deferred approval of hard coking coal contracts between a group of Australian mining companies and the Japanese steel producers.

It appears to reflect a recognition that renegotiation might achieve little while hurting Australia's commercial reputation. Also, talks are still under way with Japanese power utilities on steaming coal contracts.

The hard coking coal contracts allowed for a price increase of just US$2.90 above the previous year's US$44 per tonne, significantly less than originally expected.

The price was regarded as unsatisfactory because it appeared out of line with market conditions and because currency movements of the yen and the US and Australian dollars left the Japanese far better off and the Australians worse off.

But in a speech to the Australian Coal Conference in Melbourne yesterday, Mr Kerin acknowledged that, because of increased tonnages and other benefits, the settlements understated the effective price increase, which he said was closer to US$3.30.

The same was true of soft coking coal contracts which had since also been agreed with Japan. These allowed for a nominal increase of US$3.90, but because of the classification of coals from which additional tonnages will be sourced, the effective increase was US$4.75.

On top of this, Mr Kerin said he expected a better outcome this year in negotiations for semi-soft coking coal contracts. These coal categories had valuable coking characteristics which were not appropriately recognised last year, he said.

"The position I am taking on the settlements that have been reached is that export approval will be given, subject to certain assurances from the exporters. Those assurances will relate to employment in their mines."

He did not spell out what this meant for the hard-pressed companies, which are currently undergoing a major restructuring in the face of bitter union resistance. Since late 1986, 16 mines have closed and coal mining employment has fallen 11 per cent.

Mr Kerin also served notice that he would not, as in past years, permit additional spot cargoes to be exported at the price established in the annual negotiations with the Japanese. "The prices settled will need to properly reflect market conditions at the time," he said. "On current indications, a demand for spot cargoes later in the year appears likely."

On Australia's approach to future negotiations, he said the country needed more flexibility to deal with different contracts and different products. Although he ruled out a national marketing authority, he said he was considering options.

"The government is determined to improve as far as it can the negotiating balance so that Australian coal companies are not discriminated against," he declared.

In a sharp reminder to other producers and consumers, he said Australian coal production was amongst the most efficient in the world.

Productivity was four or five times that of highly protected countries, yet its mines were closing. Protected tonnages were greatest in Europe, particularly West Germany and the UK, he said.

Cornish tin's future 'tied to $ rate'

BY KENNETH GOODING, MINING CORRESPONDENT

THE FUTURE of Cornwall's remaining tin mines depends mainly on the dollar-pound exchange rate, according to an analysis by Kleinwort Grieveson Securities, the stockbrokers.

Mr Mark Alcock, a mining analyst, suggested in the document that demand and supply for tin were slowly coming into balance. *He said the dollar price of tin* should therefore climb back to levels at which Cornish mines would be above break-even.

Mr Alcock added, however, that the management group which had bought Carnon Consolidated, owner of the Wheal Jane and South Crofty mines, could not afford to see the pound strengthen against the US dollar by more than 15 per cent.

"That would take them too close to break-even," he *explained.* "They have not much leeway if the currency goes against them."

He suggested that world demand for tin this year, at 165,000 tonnes, would outstrip total supply outside the Communist bloc by 35,000 tonnes.

Mr Alcock said that should further reduce stocks which have been overhanging the market since the collapse of the International Tin agreement's buffer stock operation in 1985. Stocks are estimated now between 58,000 tonnes and 60,000 tonnes.

Mr Alcock predicted that tin consumption would settle back to 155,000 tonnes next year, while supply would increase to 145,000 tonnes. Stocks would therefore be reduced to 20,000 tonnes, a normal level for the industry.

He pointed out, however, that the value of the Malaysian dollar was tied to that of the US currency. A 10 per cent appreciation of the pound would reduce the expected sterling price of tin.

Yesterday, the European free market tin price was at a 21-month low of £3,620-£3,630 a tonne.

Power cut hits Colombian nickel mine

OUTPUT OF ferro-nickel at *Colombia's Cerro Matoso* mining and refinery project has been cut by half because of problems in the pyro-metallurgical process, Dutch metal traders said yesterday, reports Reuter from Amsterdam.

They said power at the electric furnace at Montelibano, which usually produces about 50,000 tonnes of ferro-nickel a year, had been cut by half but was expected to be fully restored by the end of April.

Soviets confirm end to whaling

BY CATHERINE McELHINNEY IN MOSCOW

THE SOVIET Union has told the US officially that it has ended commercial whaling, Mr William Verity, the US Secretary of Commerce said at the conclusion of two days of US-Soviet trade talks here.

The Soviet Union was criticised last June, together with Japan and Norway, for objecting to a worldwide ban on commercial whaling, which meant they were not bound by it.

Mr Verity said he welcomed the Soviet decision to abide by the ban and referred to it as a "major announcement" in the areas of fisheries, and hoped other nations would follow the soviet example.

The US has been angered by Japan's continued whaling. Tokyo is using a clause in the international convention that allows whaling for so-called research to continue on a commercial scale.

"We have been formally notified by the Soviets that the USSR has ceased commercial whaling and intends to work through the International Whaling Commission for whale research and conservation," Mr Verity said.

The weekly Moscow News had said last May in an article entitled "No More Whaling in the 20th Century," that the fleet had returned after capturing 3,028 whales in a six-month hunt.

"The whaling industry has been wound up and the former whalers will go into another type of fishing," the newspaper said.

However, under the 1946 whaling convention, the Soviet Union lodged a legal formal objection to the ban, which meant its long term intentions were unclear.

Malaysian rubber output falls

MALAYSIAN RUBBER output fell 24.7 per cent to 123,146 tonnes in February from 163,468 tonnes in January and compared with 143,841 tonnes in February 1987, the Statistics Department said, reports Reuter from Kuala Lumpur.

Stocks at the end of the month rose, however, to 240,625 tonnes from 235,054 tonnes at the end of January, following a fall in exports to 121,353 tonnes from 151,633 tonnes in January.

Major importers of Malaysian rubber in February were South Korea, which took 17,888 tonnes, Singapore 11,348 and the US 11,279. China's imports fell to 4,905 tonnes

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER PRICES fell further on the LME yesterday, with cash grade A metal shedding £32.50 to £1,125 a tonne — the lowest level since September 18 last year. Some traders said the market seemed to be getting oversold and was probably due for a correction, although the undertone remained soft. In contrast, three-month nickel breached the $7 a lb level, closing up $800 at $15,625 a tonne, following confirmation of a force majeure declaration on ferro-nickel by Falconbridge; covering against inter-office sales to US operators; and firmer sterling against the dollar. Meanwhile the second position Biffex dry freight futures contract plunged 74 points to 1,218 in near record volume. Traders expected further weakness in the physical shipping market to spark further selling today, testing the 1,200 level. Also on the Baltic Futures Exchange, active option dealings in the October contract boosted volume in a sharply lower soymeal futures market.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.45-5.55t	+0.30
Brent Blend	$17.10-7.15w	+0.35
W.T.I.(1 pm est)	$18.20-8.25w	+0.55
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$186-188	+1
Gas Oil (Soviet)	$156-158	+4
Heavy Fuel Oil	$83-85	+1
Naphtha	$158-160	+2
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$455.25	-1.25
Silver (per troy oz)♣	647c	+1
Platinum (per troy oz)	$519.50	-11.00
Palladium (per troy oz)	$121.50	-2.75
Aluminium (free market)	$2300	-25
Copper (US Producer)	102½-03½c	-2.25
Lead (US Producer)	35.5c	
Nickel (free market)	810c	-20
Tin (European free market)	£3625	-5
Tin (Kuala Lumpur market)	17.30r	
Tin (New York)	319.5c	-0.5
Zinc (Euro. Prod. Price)	$975	-25
Zinc (US Prime Western)	51½c	
Cattle (live weight)†	110.17p	-1.28*
Sheep (dead weight)†	190.86p	-12.60*
Pigs (live weight)†	67.79p	-1.83*
London daily sugar (raw)	$228.8s	+2.2
London daily sugar (white)	$240.5e	-0.8
Tate and Lyle export price	£228.0	+2.0
Barley (English feed)	£107.0	-0.5
Maize (US No 3 yellow)	£132.5	
Wheat (US Dark Northern)	£91.0w	-1.0
Rubber (spot)♥	64.75p	-0.75
Rubber (May) ♥	68.75p	+0.25
Rubber (June) ♥	68.75p	+0.25
Rubber (KL RSS No 1 Mar)	308.5mw	+1.5
Coconut oil (Philippines)§	$540x	
Palm Oil (Malaysian)§	$405t	
Copra (Philippines)§	$385	
Soyabeans (US)	£162.5	
Cotton "A" index	65.85c	+0.10
Wooltops (64s Super)	610p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-May. u-Apr/May. x-Jun/Jul. y-Apr. t-Jun. s-May/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
May	885	895	898	882
Jly	905	915	917	900
Sep	922	932	935	918
Dec	942	953	955	940
Mar	963	975	976	961
May	981	993	995	988
Jul	999	1011	1013	1004

Turnover: 2764 (5265) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for April 20: 1214.98 (1201.16). 10 day average for April 21: 1183.30 (1179.72)

COFFEE £/tonne

	Close	Previous	High/Low	
May	1080	1086	1092	1079
Jly	1098	1107	1112	1097
Sep	1122	1125	1131	1118
Nov	1145	1146	1151	1141
Jan	1165	1166	1170	1162
Mar	1190	1185	1189	1182
May	1210	1205	1202	

Turnover: 3775 (1771) lots of 5 tonnes
ICO indicator prices (US cents per pound) for April 20: Comp. daily 1979 117.00 (117.17); 15 day average 118.77 (118.82).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
May	193.00	196.00	196.00	192.80
Aug	193.20	196.20	196.40	193.00
Oct	193.20	196.00	196.20	193.00
Dec	193.20	195.00	195.80	195.80
Mar	193.60	196.40	194.60	194.00
May	193.60	197.60	196.00	
White	**Close**	**Previous**	**High/Low**	
Aug	234.60	238.00	237.00	234.60
Oct	233.60	237.00	237.00	233.60
Dec	233.60	237.00	235.00	235.00
Mar	236.60	240.00	239.20	237.00

Turnover: Raw 2282 (2881) lots of 50 tonnes; White 770 (469).
Paris- White (FFr per tonne): Aug 1335, Oct 1325, Dec 1335, Mar 1350, May 1360, Aug 1370

GAS OIL $/tonne

	Close	Previous	High/Low	
May	150.50	147.50	150.50	149.00
Jun	147.50	144.50	147.50	146.00
Jul	145.75	143.00	145.75	145.00
Aug	146.50	143.75	146.75	146.25
Sep	147.00		147.00	

Turnover: 4765 (3869) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
May	102.20	102.10	102.20	101.95
Jly	104.85	104.60	105.00	104.50
Sep	101.50	101.55	101.55	101.50
Nov	103.45	103.45	103.50	103.45
Jan	106.00	106.00	106.00	
Mar	108.00	108.00	108.00	
May	110.05	110.05	110.05	
Barley	**Close**	**Previous**	**High/Low**	
May	102.00	102.40	102.30	102.00
Sep	98.30	98.10	98.30	
Nov	100.95	100.75	100.95	
Jan	103.00	102.80	103.00	
Mar	104.65	104.45	104.65	
May	106.85	106.65	106.85	

Turnover: Wheat 336 (318), Barley 34 (28) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	2300-10	2310-20		2295-305		
3 months	2115-25	2145-60		2110-20	2110-30	4,411 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 39,100 tonne
Cash	1208-13	1210-5	1211/1200	1209-10	1101-2	
3 months	1102-3	1125-6	1110/1090	1099-100		48,567 lots
Copper, Grade A (£ per tonne)						Ring turnover 59,050 tonne
Cash	1124.5-5.5	1157-8	1220/1118	1118-20		
3 months	1069-70	1097.5-8	1085/1062	1069-70	1062-3	68,037 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1070-80	1105-15		1075-85		
3 months	1035-45	1055-65		1060-70		13 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	644-6	652-5		639-42		
3 months	655-7	661-4		650-3	658-60	676 lots
Lead (£ per tonne)						Ring turnover 6,600 tonne
Cash	330-5	327-8	337/335	335-7		
3 months	320-1	320-1	323/315	322-3	320-1	11,001 lots
Nickel ($ per tonne)						Ring turnover 2,742 tonne
Cash	18750-850	17700-800	18500/18400	18400-500		
3 months	15600-50	14800-50	15600/15100	15250-300	15600-50	7,004 lots
Zinc (£ per tonne)						Ring turnover 12,625 tonne
Cash	571-3	569-70	571	571-2		
3 months	561-2	560-2	584/559	560-1	561-2	17,357 lots

POTATOES £/tonne

	Close	Previous	High/Low	
May	80.00	80.90	80.00	78.60
Nov	83.50	85.20	85.00	83.60
Feb	93.50	94.00		
Apr	123.40	124.70	124.00	123.10
May	134.00	134.10		

Turnover: 357 (238) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Jun	125.40	127.00	125.50	125.00
Aug	122.80	127.00	125.80	122.80
Oct	125.00	127.50	126.00	125.00
Dec	127.00		127.50	

Turnover: 1886 (161) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Apr	1378.0	1418.5	1388.0	1378.0
Jly	1218.0	1292.0	1280.0	1215.0
Oct	1305.0	1365.0	1340.0	1305.0
Jan	1317.0	1375.0	1350.0	1315.0
Apr	1360.0	1415.0	1370.0	1360.0
Jul	1242.5	1260.0	1242.5	
Oct	1315.0		1315.0	
BFI	1441.5	1475.0	1441.5	

Turnover: 1180 (915)

FRUIT AND VEGETABLES

New season apples are becoming more plentiful this week, reports FFVIB. New arrivals in the shops this week include Chilean riber grapes, 70-90p a lb, and chilean green honeydew melons at £1.10-1.60. Prince cauliflowers are abundant, following recent milder weather, 30-60p (45-70p), while potatoes, whites 11-14p, and reds 12-14p, remain plentiful. The Spania bean season has now started, with bobby beans £1.00-1.60, broad beans 80-80p and flat beans 60-80p. Also new in this week Majorcan new crop potatoes 20-30p and homegrown Cape broccoli 60-70p. Homegrown cucumbers are down to 30-60p (40-60p) as a result of better weather, while top quality tomatoes are now 80p-£1.00 (80-95). Round lettuce is down to 20-30p (22-30p) while icebergs are now 60p-£1.00 (70p-£1.10).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	455-455½	239¾-240¼
Opening	453½-454	240½-241
Morning fix	454.00	240.530
Afternoon fix	454.25	239.558
Day's high	455-455½	
Day's low	453¾-454	
Coins	**$ price**	**£ equivalent**
US Eagle	469-474	247-250
Maple leaf	469-474	247-250
Britannia	469-474	247-250
Krugerrand	453½-456½	239-241
1/2 Krug	237-246	124¾-129½
1/4 Krug	118-126	62¼-66¼
Angel	466-471	245½-248
1/10 Angel	47-52	24¾-27½
New Sov.	107-108	56¼-57
Old Sov.	107-108½	56¼-57¼
Noble Plat	530-536½	281-284¾

Silver fix	p/fine oz	US cts equiv
Spot	339.45	642.90
3 months	346.30	654.50
6 months	353.35	666.60
12 months	368.05	691.90

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	July	May	July
1950	342	240	1	74
2100	198	157	7	138
2250	84	98	43	226
Aluminium (99.5%)	**Calls**		**Puts**	
1950	338	215	2	77
2100	200	135	17	145
2250	86	80	62	288
Copper (Grade A)	**Calls**		**Puts**	
1900	207	168	3	55
2050	84	86	29	124
2200	19	40	114	224

US MARKETS

THE PRECIOUS METALS closed mixed following an extremely quiet session with little significant activity, reports Drexel Burnham Lambert. Copper was under pressure for most of the day, but, holding support levels, rallied back slightly with short-covering. Energy futures opened higher as technical buying emerged prompting short-covering. Coffee was higher on short-covering following fewer-than-expected deliveries against the spot May contract. Cocoa eased under the influence of producer selling. Sugar, too, fell on producer price-fix selling, with trade scale-down buying noted. The meats were very quiet, cattle finishing roughly unchanged despite firmer cash values, while bellies and hogs were lower in the nears, cash prices were reported higher in the U.S. west and lower in the east. The grains were easier across the board as forecasts of rains prompted professional long-liquidation, soyabeans and meal also came under pressure from weaker cash prices in Brazil.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Apr	455.4	457.0	456.5	455.0
Jun	457.2	459.0	458.0	456.7
Aug	461.8	463.7	462.6	461.3
Oct	466.6	468.5	467.5	466.0
Dec	471.5	473.6	472.3	471.3
Feb	476.6	478.7	476.0	476.0
Apr	481.7	484.0	0	0
Jun	487.1	489.5	0	0
Aug	492.6	495.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	523.7	529.8	524.0	520.0
Jul	526.7	532.6	528.0	522.0
Oct	533.2	539.1	533.5	528.0
Jan	540.2	545.5	540.0	536.5
Apr	547.2	552.1	0	0
Jul	554.2	559.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Apr	645.0	643.9	0	0
May	646.0	645.0	649.0	643.0
Jun	650.5	649.5	0	0
Jul	654.9	653.9	657.9	652.2
Sep	663.3	662.3	666.5	661.0
Dec	676.7	675.7	678.5	674.5
Jan	680.8	679.8	0	0
Mar	690.1	689.1	693.0	690.0
May	699.8	698.8	0	0
Jul	710.1	709.1	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	92.80	92.70	0	0
May	92.00	92.20	92.40	88.80
Jun	90.40	90.80	0	0
Jul	89.00	88.40	89.40	86.10
Sep	86.60	86.10	86.80	84.20
Dec	83.00	82.40	83.00	81.30
Jan	82.30	81.90	0	0
Mar	81.00	80.90	80.00	80.00
May	79.80	79.90	0	0
Jul	79.20	79.40	78.00	78.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Jun	18.28	17.96	18.29	18.10
Jul	18.20	17.91	18.22	18.05
Aug	18.12	17.83	18.15	18.00
Sep	18.06	17.77	18.09	17.93
Oct	18.01	17.71	18.03	17.85
Nov	17.96	17.65	17.97	17.80
Dec	17.90	17.59	17.90	17.73
Mar	17.80	17.43	17.60	17.60

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
May	50.10	49.31	50.25	49.60
Jun	48.50	47.75	48.70	48.15
Jul	48.10	47.45	48.30	47.60
Aug	48.55	47.85	48.60	48.35
Oct	49.65	49.00	49.65	49.45
Nov	50.20	49.55	50.20	50.00
Dec	50.70	50.15	50.70	50.70

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1532	1543	1543	1516
Jul	1563	1582	1584	1558
Sep	1591	1611	1611	1587
Dec	1626	1648	1648	1618
Mar	1665	1686	1682	1660
May	1690	1711	1690	1690
Jul	1716	1737	1727	1727
Sep	1740	1761	1750	1735

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	134.41	134.26	135.20	134.35
Jul	136.16	136.26	137.20	136.15
Sep	138.00	138.25	138.90	138.00
Dec	139.95	140.31	140.40	139.95
Mar	140.20	140.63	140.20	140.20
May	140.75	141.50	0	0
Jul	141.25	141.50	0	0
Sep	142.00	142.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	8.52	8.70	8.66	8.50
Jul	8.63	8.77	8.73	8.61
Oct	8.64	8.77	8.73	8.59
Jan	8.71	8.81	0	0
Mar	8.62	8.78	8.73	8.61
May	8.70	8.84	8.70	8.70
Jul	8.71	8.91	8.84	8.84

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	64.47	63.64	65.00	64.05
Jul	60.89	59.88	61.30	59.90
Oct	55.40	54.85	55.60	54.45
Dec	54.83	54.18	54.93	53.86
Mar	55.67	55.02	55.48	54.70

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	169.50	171.20	170.85	169.50
Jul	165.70	168.40	168.00	166.20
Sep	163.50	165.30	165.30	163.50
Nov	159.15	160.25	160.50	158.80
Jan	155.05	156.05	156.30	155.75
Mar	154.65	155.50	0	0
May	154.60	155.60	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr 20	Apr 19	mnth ago	yr ago
1725.8	1731.4	1782.0	1560.5

DOW JONES (Base: December 31 1974 = 100)

Spot	128.85	129.13	129.74	122.10
Futures	132.72	132.98	132.72	122.53

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	669/4	666/6	682/4	658/0
Jul	669/2	676/6	672/0	667/0
Aug	671/6	680/2	675/0	670/0
Sep	674/0	682/2	677/0	672/4
Nov	682/2	691/6	686/0	679/0
Jan	690/6	700/0	694/0	688/0
Mar	697/0	708/0	700/4	698/4
May	702/4	713/0	0	0
Jul	704/4	715/0	708/0	704/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	21.71	22.04	21.93	21.69
Jul	22.14	22.47	22.38	22.12
Aug	22.32	22.69	22.54	22.32
Sep	22.48	22.83	22.70	22.45
Oct	22.52	22.91	22.80	22.50
Dec	22.90	23.22	23.12	22.90
Jan	22.91	23.25	23.20	22.90
Mar	22.80	23.12	23.12	22.80
May	22.82	23.12	22.80	22.85
Jul	22.82	23.12	22.80	22.85

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	194.0	195.9	195.5	194.0
Jul	193.9	197.2	195.5	193.8
Aug	194.3	197.6	196.0	194.2
Sep	195.2	198.9	196.8	195.0
Oct	196.2	199.5	198.0	196.0
Dec	199.4	202.9	201.0	198.5
Jan	200.3	203.7	201.5	200.2
Mar	203.5	206.0	205.0	202.5
May	205.5	211.5	205.5	204.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	202/2	204/2	206/6	202/0
Jul	210/2	212/0	211/2	209/6
Sep	215/6	217/4	216/2	215/2
Dec	224/0	225/6	224/4	223/2
Mar	231/4	233/4	232/0	231/0
May	236/2	238/0	236/4	235/6
Jul	238/4	240/4	238/4	238/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	314/6	315/6	315/6	314/0
Jul	324/0	324/4	324/4	322/6
Sep	331/4	332/0	331/4	329/6
Dec	341/4	342/4	341/6	340/0
Mar	347/0	348/0	347/0	345/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	70.82	70.92	70.95	70.62
Aug	67.42	67.32	67.45	67.05
Oct	66.47	66.32	66.50	66.10
Dec	67.82	67.55	67.85	67.40
Feb	67.20	66.80	67.25	66.80
Apr	68.45	68.27	68.45	68.20

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	48.85	48.35	49.55	48.80
Jul	49.50	49.87	49.95	49.40
Aug	47.87	47.85	48.20	47.60
Oct	43.40	43.42	43.85	43.30
Dec	44.85	44.85	44.95	44.55
Feb	44.80	44.35	44.80	44.55
Apr	41.95	41.75	42.25	41.85
Jun	43.50	0	43.75	42.50

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
May	53.12	53.40	53.70	53.00
Jul	53.47	53.47	53.85	53.15
Aug	52.32	52.27	52.85	52.00
Feb	61.35	61.35	61.55	61.00
Mar	61.20	61.15	61.20	60.80

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling approaches DM3.16

STERLING renewed its upward surge against the D-Mark, and major currencies in general, on publication of the UK bank lending figures for March. These showed a substantial rise from February, and were well above most City forecasts.

Dealers reported intervention to sell sterling by the Bank of England soon after release of the figures, but this failed to stem the advance.

The pound flirted with the DM3.16 level, before closing at DM3.1575, compared with DM3.1475 on Wednesday. After a weak start sterling recovered to close ½ cent higher against the dollar at $1.8985. It also climbed to Y235.75 from Y234.75; to SFr2.61 from SFr2.6050; and to FFr10.7275 from FFr10.6975.

The Bank of England's exchange rate index for the pound opened 0.1 lower at 78.5, but closed 0.2 higher at 78.8.

Sterling's rise reflected a belief in the market that the British authorities will be very reluctant to sanction a further cut in bank base rates.

The Prime Minister and other officials, including the Chancellor, have recent placed paramount importance on the fight against inflation. It is therefore argued that from this point of view the UK must contain the inflationary implications of the sharp rise in bank lending, and cannot afford lower base rates.

The dollar closed virtually unchanged in Europe for the second day running. Economic factors suggest to dealers there is no reason to buy the dollar at present, against the background of the twin deficits on the budget and trade.

At the same time the market appears unwilling to challenge the central banks with aggressive selling of the dollar.

A look at the calendar suggests there should be no major factors to move the dollar for the next week or so, and that the currency is likely to remain in a narrow range until the end of the month.

The dollar closed unchanged at DM1.6635; SFr1.3750; and FFr5.65, but rose slightly to Y124.15 from Y123.95.

According to the Bank of England the dollar's index rose to 92.2 from 92.1.

D-MARK - Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. March average 1.6766. Exchange rate index 148.9 against 146.8 six months ago.

The D-Mark gave a little ground to the dollar in Frankfurt yesterday, but the US currency closed below its highest level. It finished at DM1.6660, compared with DM1.6620 on Wednesday. The Bundesbank did not intervene when the dollar was fixed at DM1.6670, compared with DM1.6626 previously.

Sterling was firm against the D-Mark, following the UK bank lending figures.

In Paris the French franc finished unchanged against the D-Mark. The franc was said to draw support from a firming of interest rates in Paris, after the Bank of France withdrew liquidity from the domestic money market.

JAPANESE YEN - Trading range against the dollar in 1987/88 is 159.45 to 121.35. March average 127.08. Exchange rate index 246.0 against 220.8 six months ago.

The yen fell back against the dollar in Tokyo. The dollar rose to Y124.30 from Y123.90, in quiet trading lacking new factors.

Dealers said the US currency is likely to stay in a narrow range for some time, held at a peak of Y124.50 by selling, for speculative reasons and to hedge currency risks. On the other hand fear of central bank intervention should stop the dollar falling below Y123.50.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr.21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4630	+2.37	+0.96	±1.5344
Danish Krone	7.85212	7.97933	+1.62	+0.21	±1.5404
German D-Mark	2.05853	2.07707	+0.90	-0.51	±1.0981
French Franc	6.90403	7.05470	+2.18	+0.77	±1.3674
Dutch Guilder	2.31943	2.32995	+0.45	-0.45	±1.5012
Irish Punt	0.768411	0.777943	+1.24	-0.17	±1.6684
Italian Lira	1483.58	1544.12	+4.06	+3.20	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Apr.21	Latest	Previous Close
£ Spot	1.8980-1.8990	1.8905-1.8915
1 month	0.16-0.14pm	0.15-0.13pm
3 months	0.40-0.36pm	0.33-0.30pm
12 months	1.50-1.40pm	1.29-1.21pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

Apr.21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8845-1.8995	1.8980-1.8990	0.17-0.14cpm	0.98	0.40-0.35pm	0.79
Canada	2.3200-2.3450	2.3440-2.3450	0.09-0.19cdis	-0.72	0.45-0.58dis	-0.88
Netherlands	3.53¾-3.54¾	3.53¾-3.54¾	1¼-1cpm	3.81	3¾-3½pm	3.95
Belgium	65.70-66.25	66.00-66.10	18-6cpm	2.18	36-30pm	2.00
Denmark	12.08-12.14¼	12.12¾-12.13¾	⅝-2¼oredis	-1.36	2¾-4⅜dis	-1.24
Ireland	1.1795-1.1840	1.1820-1.1830	0.12-0.20pdis	-1.62	0.30-0.45dis	-1.27
W. Germany	3.14½-3.16	3.15½-3.16	1¼-1⅛pfpm	4.75	3¾-3½pm	4.59
Portugal	256.05-258.85	257.75-258.75	60-104cdis	-3.81	200-315dis	-3.99
Spain	207.85-209.45	209.10-209.40	30-50cdis	-2.29	100-130dis	-2.20
Italy	2338½-2349½	2348½-2349½	1-6liredis	-1.79	12-19dis	-2.64
Norway	11.63¾-11.68¼	11.64¼-11.65¼	4¾-6oredis	-5.60	16¼-17¾dis	-5.86
France	10.68½-10.73½	10.71¼-10.72¼	¼pm-½cdis	0.14	¼-1¼dis	-0.25
Sweden	11.05¼-11.11	11.09¾-11.10¾	1¼-2oredis	-1.69	4¼-5¼dis	-1.71
Japan	234¼-236¼	235¼-236¼	1-¾ypm	4.45	2½-2¼pm	4.05
Austria	22.08-22.21	22.18-22.21	8¼-7groపm	4.12	21¾-18¾pm	3.63
Switzerland	2.59¾-2.61½	2.60½-2.61½	1¾-1¼cpm	5.75	3¾-3½pm	5.75

Belgian rate is convertible francs. Financial franc 66.40-66.50. Six-month forward dollar 0.78-0.73cpm 12 month 1.48-1.43cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Apr.21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8845-1.8995	1.8980-1.8990	0.17-0.14cpm	0.98	0.40-0.35pm	0.79
Ireland†	1.5980-1.6050	1.6040-1.6050	0.12-0.22cdis	-1.28	0.25-0.40dis	-0.81
Canada	1.2285-1.2345	1.2330-1.2340	0.15-0.18cdis	-1.61	0.46-0.49dis	-1.54
Netherlands	1.8640-1.8730	1.8650-1.8660	0.48-0.46cpm	3.02	1.52-1.49pm	3.22
Belgium	34.75-34.95	34.75-34.85	5-2cpm	1.29	14-9pm	1.32
Denmark	6.38¾-6.41¼	6.38¾-6.39¼	0.95-1.55oredis	-2.34	2.95-3.55dis	-2.03
W. Germany	1.6615-1.6695	1.6630-1.6640	0.54-0.51pfpm	3.78	1.63-1.58pm	3.85
Portugal	136-136½	136-136¼	45-65cdis	-4.83	140-190dis	-4.83
[illegible]						

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs.

STERLING INDEX

[illegible]		

CURRENCY RATES

[illegible]		

CURRENCY MOVEMENTS

[illegible]		

OTHER CURRENCIES

[illegible]		

*Selling rate

EURO-CURRENCY INTEREST RATES

[illegible]		

EXCHANGE CROSS RATES

[illegible]		

Yen per 1,000: French Fr. per 10: Lira per 1,000; Belgian Fr. per 100.

FINANCIAL FUTURES

Firm pound helps gilts rally

LONG GILT futures finished a little weaker on Liffe, but towards the top of the day's range. Gains by sterling probably helped the contract cope with the higher than expected UK bank lending figures announced for March.

Sterling M3 lending rose £4.7bn, compared with £2.6bn in February, while M4 lending, including building society loans, rose £6.6bn, against £4.2bn the previous month. The City was generally looking for only a slight rise on the month.

A rise of 1.8 p.c. in narrowly defined M0 money supply growth took the year-on-year rise to 6.4 p.c. - above the official 2 p.c. to 6 p.c. target range - but this had been widely forecast and was largely ignored, as traders concentrated on the implications of the bank lending news.

June long gilt futures opened weaker at 122-04, and fell to a low of 121-22 on the banking figures, but rallied to close at 122-03, compared with 122-08 on Wednesday.

Traders expressed some surprise at how calmly the market had taken the news, but suggested it may be because many large institutional investors are towards the limits on their cash book, and must find somewhere to put the money, at a time of continued nervousness about the equity market.

It was pointed out that the rise in M3 lending was the third highest on record, and that the two higher months contained a large element of round tripping in the bill market. This was not the case in March, and on that basis the figure looked even more alarming.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Sep	Puts-settlements Jun	Sep
116	608	—	2	—
118	413	—	7	—
120	229	—	23	—
122	109	—	103	—
124	26	—	220	—
126	7	—	401	—
128	2	—	560	—

Estimated volume total, Calls 4509 Puts 2621
Previous day's open int. Calls 38002 Puts 28456

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Sep	Puts-settlements Jun	Sep
82	626	622	4	100
84	436	460	14	138
86	255	341	35	219
88	131	234	109	312
90	40	142	218	420
92	14	102	356	544
94	6	41	548	719

Estimated volume total, Calls 40 Puts 345
Previous day's open int. Calls 3122 Puts 1109

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Apr	MAY	Puts-settlements Apr	MAY
16500	1500	1542	0	42
17000	1000	1111	0	111
17500	502	742	2	242
18000	99	455	99	455
18500	2	254	502	754
19000	0	128	1000	1128
19500	0	58	1500	1558

Estimated volume total, Calls 30 Puts 0
Previous day's open int. Calls 55 Puts 159

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements MAY	Jun	Puts-settlements MAY	Jun
175	1465	1465	0	3
180	965	965	2	21
185	487	540	33	99
190	153	238	199	297
195	24	78	570	637
200	1	18	1047	1077
205	—	—	—	—

Estimated volume total, Calls 225 Puts 0
Previous day's open int. Calls 635 Puts 191

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Jun	Sep	Puts-settlements Jun	Sep
9150	95	82	1	19
9175	72	64	3	26
9200	51	48	7	35
9225	32	35	13	47
9250	17	23	23	60
9275	9	14	40	76
9300	4	9	60	96

Estimated volume total, Calls 84 Puts 4
Previous day's open int. Calls 3189 Puts 2935

LIFFE SHORT STERLING

Strike Price	Calls-settlements Jun	Sep	Puts-settlements Jun	Sep
9075	98	69	1	12
9100	74	50	2	18
9125	52	35	5	28
9150	32	23	10	41
9175	17	14	20	57
9200	9	8	37	76
9225	4	4	57	97

Estimated volume total, Calls 1366 Puts 839
Previous day's open int. Calls 6404 Puts 3282

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls May	Jun	July	Sep	Puts May	Jun	July	Sep
1.800	9.65	9.55	9.85	10.55	0.05	0.25	0.75	1.65
1.825	6.95	7.30	7.80	8.70	-	0.50	1.20	2.30
1.850	4.65	5.25	5.95	7.05	0.25	1.00	1.80	3.05
1.875	2.65	3.55	4.40	5.75	0.70	1.75	2.65	4.25
1.900	1.25	2.35	3.30	4.45	1.80	2.85	3.85	5.30
1.925	0.45	1.40	2.20	3.50	3.40	4.40	5.30	6.75
1.950	0.20	0.80	1.55	2.70	5.55	6.25	7.05	8.35

Previous day's open int: Calls 26,362 Puts 30,108
Previous day's volume: Calls 400,077 Puts 372,401

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-settlements May	Jun	Jul	Sep	Puts-settlements May	Jun	Jul	Sep
1.65	-	18.65	-	19.05	-	1.30	-	1.80
1.70	15.60	15.70	-	16.40	0.30	0.55	-	1.50
1.75	10.60	14.90	12.90	12.70	0.30	0.80	1.00	2.50
1.80	6.10	6.70	10.35	7.35	0.30	1.65	1.30	2.35
1.85	5.10	6.00	6.70	7.30	0.75	1.65	2.60	3.40
1.90	1.70	2.90	3.95	4.75	2.20	6.60	4.85	8.85
1.95	1.40	1.40	2.25	3.25	2.45	7.15	8.00	8.90

Estimated volume total, Calls N/A Puts N/A
Previous day's open int. Calls 659 Puts 655

LONDON (LIFFE)

[illegible]		

CHICAGO

[illegible]		

CURRENCY FUTURES

[illegible]		

MONEY MARKETS

Rates volatile

INTEREST RATES were rather volatile on the London money market, on publication of a higher than expected rise in UK bank lending in March.

But at the end of the day there was little change, although the banking figures appeared to rule out any early cut in UK base lending rates.

Rates opened firmer, with three-month interbank at 8⅛-8⅛ p.c., compared with 8⅛-8 p.c. overnight. On publication of the lending data three-month money briefly touched 8⅜-8⅛ p.c., before closing at 8⅛-8⅛ p.c.

UK clearing bank base lending rate 8 per cent from April 11

Day-to-day credit remained in uncomfortably short supply. The Bank of England initially forecast a money market shortage of £1,350m, but revised this to £1,200m at noon. Total help of £1,158m was provided.

An early round of help was offered, and at that time the authorities bought £106m bills, for resale to the market on May 16, at 7⅞ p.c.

Before lunch the Bank of England gave further assistance of £86m, including £68m bills bought outright, by way of £31m bank bills in band 1 at 7⅞ p.c., and £37m bank bills in band 2 at 7⅞ p.c. Another £18m bills were purchased, for resale to the market on May 16, at 7⅞ p.c.

In the afternoon the authorities gave help of £706m, including purchases of £545m bills outright, through £5m local authority bills in band 1 at 7⅞ p.c.; £390m bank bills in band 1 at 7⅞ p.c.; £102m bank bills in band 2 at 7⅞ p.c.; and £48m bank bills in band 3 at 7⅞ p.c.

A further £161m bills were bought, for resale to the market, on May 16 at 7⅞ p.c.

The Bank of England also provided late assistance of £260m.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £581m, with Exchequer transactions absorbing £761m, and a rise in the note circulation £80m.

In Frankfurt the Bundesbank left credit policies unchanged at yesterday's council meeting. The discount rate remains at 2.5 p.c., and the Lombard rate at 4.5 p.c.

Call money eased back to 3.20 p.c., from 3.25 p.c., as credit conditions remained comfortable in Frankfurt. The central bank drained DM5.1bn in surplus liquidity on Wednesday, when accepting bids of only DM9.5bn at this week's securities repurchase agreement tender, compared with an expiring agreement of DM14.6bn.

FT LONDON INTERBANK FIXING

[illegible]		

MONEY RATES

NEW YORK (Lunchtime)

[illegible]		

LONDON MONEY RATES

[illegible]		

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Stock
PHILIPS P	Fl. 30	66	2.80	28	3.30	8	3.90	Fl. 28.20
ROYAL DUTCH C	Fl. 220	307	10.90	53	12.10 B	2	15	Fl. 228.60
ROYAL DUTCH P	Fl. 220	244	6.80	2	12.50	-	-	Fl. 228.60
ROBECO C	Fl. 90	15	2.60 B	-	-	-	-	Fl. 87.60
ROBECO P	Fl. 95	150	8	-	-	-	-	Fl. 87.60
UNILEVER C	Fl. 110	112	5	9	7.70	2	10.20	Fl. 110.40
UNILEVER P	Fl. 130	15	23.50	-	-	375	26	Fl. 110.40

TOTAL VOLUME IN CONTRACTS : 20,359

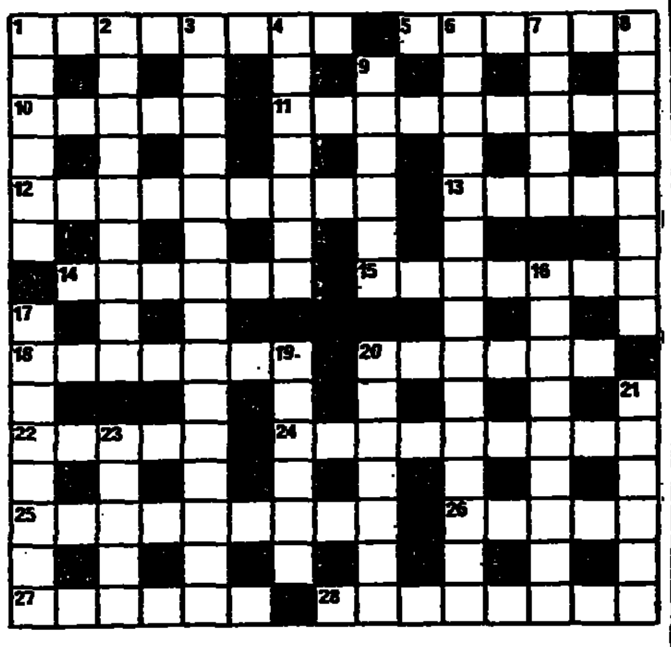
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	8	Citibank NA	8	Nat Bk. of Kuwait	8
Adam & Company	8	City Merchants Bank	8	NatWestminster	8
AAB - Allied Arab Bk	8	Clydesdale Bank	8	Northern Bank Ltd	8
Allied Irish Bank	8	Comm. Bk. N. East	8	Norwich Gen. Trust	8
Henry Ansbacher	8	Co-operative Bank	*8	PK Finans. Int(UK)	9
ANZ Banking Group	8	Cyprus Popular Bk	8	Provincial Bank PLC	9½
Associates Cap Corp	10	Dunbar Bank PLC	8	R. Raphael & Sons	8
Authority Bank	8	Duncan Lawrie	8	Roxburghe G'rantee	9½
B & C Merchant Bank	8	Equatorial Bank plc	8½	Royal Bk of Scotland	8
Banco de Bilbao	8	Exeter Trust Ltd	8½	Royal Trust Bank	8
Bank Hapoalim	8	Financial & Gen. Sec.	8	Smith & Williams Secs.	8
Bank Leumi (UK)	8	First Nat. Sec. Ltd.	9½	Standard Chartered	8
Bank Credit & Comm	8	● Robert Fleming & Co.	8	TSB	8
Bank of Cyprus	8	Robert Fraser & Ptrs.	9	UDT Mortgage Exp	§9.4
Bank of Ireland	8	Girobank	8	United Bk of Kuwait	8
Bank of India	8	Grindlays Bank	8	United Mizrahi Bank	8
Bank of Scotland	8	● Guinness Mahon	8	Unity Trust Bank Plc	8
Banque Belge Ltd	8	HFC Bank PLC	8	Western Trust	8
Barclays Bank	8	● Hambros Bank	8	Westpac Bank Corp.	8
Benchmark Bank PLC	8	Heritable & Gen Inv Bk	8	Whiteaway Laidlaw	8½
Berliner Bank AG	8	● Hill Samuel	§8	Yorkshire Bank	8
Brit. Bk of Mid East	8	C. Hoare & Co.	8		
● Brown Shipley	8	Hongkong & Shangh	8		
Business Mtge Tst.	8½	Lloyds Bank	8		
CL Bank Nederland	8	Meghraj Bank Ltd	8		
Central Capital	8	Midland Bank	8		
● Charterhouse Bank	8	Mount Banq Corp.	8		

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Savewise 6.26%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. § Mortgage base rate. § Demand deposit 3.00%. Mortgage 9.625% - 10%

FT CROSSWORD No.6,612
SET BY DINMUTZ



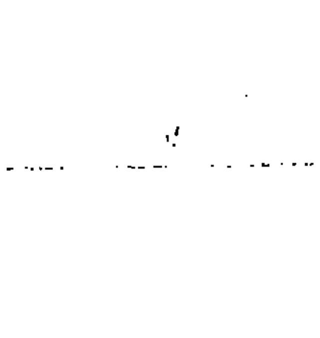
ACROSS

1 Fair game? (8)
5 Arachnoid aid to potters (6)
10 Opportunity to escape? (5)
11 Caution - rain could break out in game (9)
12 Lead suits can produce such weariness (9)
13 Roofworker left in row (5)
14 Change into suit (6)
15 Only Ted developed so eminently (7)
18 Football-fan, say, can be dangerous on the ground (7)
20 Broadway - a meeting place (6)
22 He gave Caesar the highest rent (5)
24 Sack for princess's prayer-book (9)
25 Hound, in itself, pretty and attractive (9)
26 Condition of racecourse up for sale (5)
27 Tea stirred in attempt to make agreement (6)
28 *Suffers family* to provide a rug (8)

DOWN

1 Designing *new bustle* (6)
2 Vet, person possibly laid out too much (9)
3 "Fine" or "finite"? Please yourself! (4,2,2,5,2)
4 Len out getting a hundred? Our greatest bat! (7)
6 Accuses printing-sheet of misrepresentation (6,3,6)
7 Live for the day - fine! (5)
8 New coats for saloons (8)
9 Hollow warning by schoolboys to sailors (6)
16 Piece of chicken for battering (9)
17 Crazy person not welcome in the Wedgwood factory? (8)
19 One spoke of the Circle Line (6)
20 Gold-crowned trees with damage that is severe (7)
21 Big bottle makes Iris partly drunk (6)
23 Minister to fill the bill (5)

Solution to Puzzle No.6,611



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	202.7	215.7	-1.0	2.65
UK Smllr Cos Equity	208.1	221.4	-0.8	2.02
UK Spec Sits	61.5	65.5	-0.2	2.86
Income Plus	52.7	56.1	-0.2	5.12
European	157.9	168.0	-1.2	1.39
Far Eastern	52.2	55.6	-0.5	1.95
Japanese	56.0	59.6	-0.4	–
North American	106.2	113.0	-0.8	1.55
Intl Growth	106.5	113.3	-0.7	0.83
Worldwide Venture	52.5	55.9	-0.3	3.16

Scottish Provident Inv. Mgt. Ltd
6 St Andrew Sq, Edinburgh 2 031-556 2341/2/3

Equity Growth Acc	17.65	18.89	-0.03	3.11
Equity Growth Inc	17.47	18.70	-0.04	3.11
Intl Growth Acc	16.83	18.01	-0.10	1.73
Intl Growth Inc	16.72	17.90	-0.11	1.73
Global Income Acc	18.65	19.96	-0.07	5.46
Global Income Inc	18.65	19.96	-0.07	5.46
Market Leaders Acc	16.35	17.50	-0.06	3.26
Market Leaders Inc	16.13	17.26	-0.06	3.26

Scottish Unit Managers
48 Melville Street, Edinburgh EH3 7HF 031-226 4372

Pacific (z)	82.6	87.7	+0.3	0.00
Income	52.8	56.1	-0.3	4.37
European (z)	53.7	55.8	-0.1	1.18
Nth American (z)	26.9	28.6	-0.1	0.80
Intl Growth	430.9	453.4xd	-0.6	1.98
Gwth & Recovery	47.1	50.0	-0.1	2.46

Scottish Widows' Fund Management
PO Box 902, Edinburgh EH16 5BU 031-668 3724

Peg Equity Acc	318.9	339.4	-1.7	3.46
Peg Equity Inc	264.5	281.5	-1.3	3.46
Peg High Inc Acc	161.7	172.1	+0.5	4.52
Peg High Inc	149.4	159.0	+0.5	4.52
Peg Europe Acc	113.8	121.1	-1.0	1.68
Peg Europe Inc	112.7	120.0	-0.9	1.68
Peg Nth Amer	82.0	87.3	-0.9	1.70
Peg Nth Amer Inc	80.3	85.5	-1.0	1.70
Peg Pacific Acc	232.5	247.4	+0.1	–
Peg Global Acc	117.9	125.5	-0.6	2.47
Peg Global Inc	115.5	122.9	-0.7	2.47

Sentinel Funds Mangmnt Ltd
30 City Road, London EC1Y 2AY 01-638 6011
Dealing: 01-628 6626

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Vanguard Trust Managers Ltd — Contd.

Growth	213.5	226.9	-0.8	2.48
(Accum Units)	321.7	342.2	-1.2	2.48
High Yield	289.1	296.3	-0.6	4.42
(Accum Units)	288.6	307.0	-0.7	4.42
Special Sits	52.5	55.9	-0.2	2.27
(Accum Units)	54.2	57.7	-0.3	2.27
Trustee	156.4	166.4xd	-0.4	4.15
(Accum Units)	253.9	270.1	-0.9	4.15
European Inc	35.8	38.1	-0.1	0.79
(Accum Units)	36.0	38.3	-0.1	0.79

Wardley Unit Trust Managers Ltd (a)
90, Bishopsgate, London EC2P 2LA 01-374 0061

American	48.6	51.9	-0.2	1.6
Intl Growth	64.8	68.5	-0.1	0.4
Income	111.5	119.2xd	-0.3	5.5
Japan Growth	180.7	193.3	-0.5	0.1
Pacific Perf	119.9	128.6	-0.2	0.4
Small Co's	138.6	148.2	-0.6	1.6
Technology	31.7	33.9xd	-0.1	0.1
Australia	48.2	51.6	+0.5	1.3
UK Trust	158.5	167.7	-0.9	2.7
European Growth	40.3	42.6	-0.2	0.1
Hong Kong	25.1	26.8xd	-0.1	1.3
Intl Income	19.4	20.6	–	8.5
S'pore & Mlysn Gth	18.0	19.1	+0.2	1.0
British Winners	25.0	26.4xd	–	4.0

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	18.0	19.2	+0.1	0.2
Pacific Basin	21.7	23.0	–	0.1
Can Balanced Gwth	48.4	50.5	-0.1	0.0
[illegible]	97.6	103.7	–	8.6
Penny Share	27.1	28.8	–	0.5

Wellington Fund Mngrs Ltd
Hibernia Chambers, 2, London Bridge, SE1 01-403 5108

Wellington Income	107.5	114.2xd	+0.7	3.82
Wellington Growth	163.7	174.2xd	+0.1	1.35

Wessex Asset Management
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432

Wessex UK Gwth	90.2	96.2xd	–	–

Whittingdale Unit Trust Management Ltd
2 Finsbury Lane, London EC2V 8BT 01-606 3132

Challenger	53.5	55.7	–	–

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assur.	378.4	398.5	—	—
Eb'r Ph Eq.	330.4	351.4	—	—

Pension Plan Funds
Phoenix

UK Equity Acc.	164.6	173.2	-1.2	—
International Acc.	123.3	129.7	-0.6	—
Property Acc.	127.8	134.5	—	—
Fixed Interest Acc.	157.3	160.5	-0.5	—
Money Acc.	138.5	145.7	+0.1	—
Bldg Soc. Linl Acc.	135.5	142.6	+0.1	—
Special Mngd. Acc.Q	146.2	153.8	-0.7	—

Phoenix/Framlington

Intnl Growth Acc.	85.6	90.1	+0.1	—
Amer & Gen. Acc.	78.9	83.0	+0.4	—
Capital Tst. Acc.	166.9	175.6	+0.4	—
Japan & Gen Acc.	182.2	191.7	+2.0	—
American Turn Acc.	82.4	86.7	+0.6	—
Recovery Tst. Acc.	166.7	175.4	+0.6	—
Special Mngd Acc.	140.3	147.6	+0.4	—

Phoenix/GT

International Acc.	119.5	125.7	—	—
US & General Acc.	85.0	89.4	—	—
Amer Spec Sits Acc	63.7	67.0	+0.1	—
Japan & General Acc.	183.4	193.0	+4.0	—
Far East & Gen. Acc.	141.2	148.6	+2.1	—
UK Capital Acc.	169.6	178.5	+0.4	—
European Acc	129.9	136.7	-1.1	—
Special Mngd. Acc.	123.8	130.3	+0.5	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N. Waterloo, Liverpool 051-928 6655

Managed Fund	262.3	274.2	—	—
Man Pens Inc & Cap Fds	334.0	351.6	—	—
Money Fund	112.1	118.0	—	—
Pens. Mngd Fd (Init)	81.5	85.8	—	—
Pens Mngd Fd (Acc)	92.3	97.2	—	—
Pens FT30 Fd (Init)	126.2	132.9	—	—
Pens FT30 Fd (Acc)	143.0	150.6	—	—
Pens O'seas MgFd(Init)	57.4	60.5	—	—
Pens O'seas MgFd(Acc)	65.0	68.5	—	—
Pens Fxd Int Fd (Init)	107.4	113.1	—	—
Pens Fxd Int Fd (Acc)	121.7	128.2	—	—

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222
Prufund

Managed Apr 20	198.3	206.6	-0.8	—

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd.	423.9	446.3	-2.1	—
Equity Fd.	848.7	893.4	-4.8	—
Intnl Fd.	290.9	306.3	-2.3	—
Fixed Int. Fd.	367.9	387.3	-0.7	—
Prop Fd.	317.7	334.5	—	—
Cash Fd.	236.1	248.6	—	—
Pacific Basin Fd.	168.6	177.5	-2.6	—
North American Fd.	118.4	124.7	-0.9	—
European Fd.	121.5	127.9	-0.6	—
Holborn Selected Gwth Fd	98.9	104.2	-0.3	—
Holborn Strategic Gwth Fd	97.9	103.1	-0.3	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	460.0	484.3	-2.1	—
Equity	646.9	681.0	-3.7	—
Global Equity	190.5	200.4	-1.4	—
Fixed Interest	381.6	401.7	-1.0	—
Property	312.7	329.2	—	—
Cash	139.3	146.7	—	—
Index Linked Gilt	167.4	176.3	-0.2	—
Guaranteed	7.92	—	—	—
International Money	182.3	191.9	—	—
North American Fd	53.5	56.4	-0.4	—
Japanese Fund	122.6	129.1	-0.9	—
European Fund	65.5	69.0	-0.4	—
Special Situations Fd	91.2	96.0	-0.5	—
Communications Fund	77.9	82.1	-0.2	—
Smaller Cos Fund	94.4	99.4	-1.1	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Apr 20	£123.96	127.45	-0.52	—
Equity Fund Apr 20	£133.78	137.80	-0.27	—
Intntl Fund Apr 20	£20.13	20.78	-0.05	—
Intl Bond Fd Apr 20	£10.06	10.20	-0.16	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
[illegible]	[illegible]	Treas 9¾pc Cv '88	[illegible]	.....	9.73	7.86
[illegible]	[illegible]	Transport 3pc '78-88	[illegible]	.....	3.02	5.93
[illegible]	[illegible]	Treas. 9½pc '88	[illegible]	[illegible]	9.44	8.14
[illegible]	[illegible]	Treas 11½pc 1989	[illegible]	[illegible]	11.22	8.28
[illegible]	[illegible]	Treas 9½pc Cnv 1989	[illegible]	[illegible]	9.39	8.26
[illegible]	[illegible]	Treas 3pc 1989	[illegible]		3.09	5.77
[illegible]	[illegible]	Treas 10½pc 1989	[illegible]	[illegible]	10.27	8.39
[illegible]	[illegible]	Exch 10pc 1989	[illegible]	[illegible]	9.82	8.41
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	[illegible]	10.63	8.37
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]	[illegible]	5.14	6.97
[illegible]	[illegible]	Exch 10¼pcCv '89	[illegible]	[illegible]	9.85	7.42
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]	[illegible]	12.12	8.58
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	10.56	8.46
[illegible]	[illegible]	Exch. 12½pc 1990	[illegible]	[illegible]	11.69	8.49
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	[illegible]	3.20	6.34
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	8.78	8.43
[illegible]	[illegible]	Treas. 8pc Cv 1990	[illegible]	[illegible]	7.90	7.34
[illegible]	[illegible]	Treas. 10pcCv 1990	[illegible]	[illegible]	9.68	8.53
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	[illegible]	2.73	6.02
[illegible]	[illegible]	Treas 11¾pc 1991	[illegible]	[illegible]	10.93	8.59
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.03	7.52
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	[illegible]	3.32	6.55
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	9.52	8.16
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	10.27	8.62
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	8.15	8.59
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	11.31	8.68
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	9.58	8.63
[illegible]	[illegible]	Treas. 8pc 1992‡‡	[illegible]	[illegible]	8.16	8.60
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	9.91	8.71
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.48	6.91
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	11.31	8.68
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	11.55	8.79
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	9.53	8.73

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS—Contd

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	Treas. 7¾pc 2012-15‡‡	[illegible]	[illegible]	8.76	8.88
[illegible]	[illegible]	Exch. 12pc '13-'17	[illegible]	[illegible]	9.27	9.03
		Undated				
[illegible]	[illegible]	Consols 4pc	[illegible]	.....	9.01	-
[illegible]	[illegible]	War Loan 3½pc‡‡	[illegible]	.....	8.82	-
[illegible]	[illegible]	Conv. 3½pc '61 Aft	[illegible]	[illegible]	6.70	-
[illegible]	[illegible]	Treas 3pc '66 Aft	[illegible]	.....	9.07	-
[illegible]	[illegible]	Consols 2½pc	[illegible]	.....	8.93	-
[illegible]	[illegible]	Treas. 2½pc	[illegible]	.....	8.93	-

Index-Linked

1988 High	Low	Stock	Price £	+ or -	(1)	(2)
[illegible]	[illegible]	Treas 2pc IL '90(333.9)	[illegible]	.....	-	1.56
[illegible]	[illegible]	Do. 2pc '92‡‡ (385.8)	[illegible]	[illegible]	1.74	2.47
[illegible]	[illegible]	Do. 2pc '96(267.9)	[illegible]	[illegible]	2.84	3.19
[illegible]	[illegible]	Do 2½pc '01 (308.0)	[illegible]	[illegible]	3.41	3.66
[illegible]	[illegible]	Do. 2½pc '03(310.7)	[illegible]	[illegible]	3.49	3.71
[illegible]	[illegible]	Do. 2pc '06(274.1)	[illegible]	[illegible]	3.59	3.77
[illegible]	[illegible]	Do. 2½pc '09(310.7)	[illegible]	[illegible]	3.60	3.78
[illegible]	[illegible]	Do. 2½pc '11(294.1)	[illegible]	[illegible]	3.62	3.78
[illegible]	[illegible]	Do. 2½pc '13(351.9)	[illegible]	[illegible]	3.60	3.75
[illegible]	[illegible]	Do. 2½pc '16(322.0)	[illegible]	[illegible]	3.57	3.72
[illegible]	[illegible]	Do. 2½pc '20 (327.3)	[illegible]	[illegible]	3.53	3.66
[illegible]	[illegible]	Do. 2½pc '24 ‡‡(385.3)	[illegible]	[illegible]	3.50	3.62

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for August 1987: 102.1 and for March 1988: 104.1
(rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1988 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								
38	16	Norton Group 5p	32	—	—	—	—	—
59	36	Ovoca Gold IR 2p	56	—	—	—	—	—
50	33	Propeller 1p	50	+7	—	—	—	◆
31	13	Publishing Hldgs 5p	14	-1	—	—	—	8.4
80	70	Seacon Hldgs	70	—	—	—	—	◆
27	18	Stats Hldgs. 5p	19	+1	—	—	—	48.6
4¼	3	Swanyard Studios 1p	3¼	—	—	—	—	18.5
235	200	Talare	232	+2	b1.0	8.1	0.6	23.8
57	41	Theme Holdings	45	-1	1.1	◆	3.3	◆
36	20	Townsend Leisure 20p	26	—	—	—	—	10.4
135	120	UPL Group 10p	129	—	L2.41	2.8	2.7	18.0
142	120	Unit Group	140	-2	H4.6	2.5	4.4	10.8
92	85	Video Tape Recording 5p	92	—	L2.3	2.3	3.3	13.2

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- I No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	78	—
Craig & Rose £1 γ	680	—
Finlay Pkg. 5p γ	76	-3
Holt (Jos) 25p γ	£11½	-⅛

IRISH

Fund 11¾% 1988	£100½	—
Nat. 9¾% 84/89	£101	-⅛
Fin. 13% 97/02	£118½	—

Arnotts γ	300	—
CPI Hldgs γ	86	—
Carroll Inds γ	152	—
Hall (R. & H.)	110½xd	—
Heiton Hldgs γ	48	—
Irish Ropes γ	120xd	—
Unidare γ	350	—

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	24
Cadburys	26
Charter Cons	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	110
Guardian	87
GKN	38
Hanson	14
Hawker Sidd	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	30
Lex Service	35
Lloyds Bank	28
Lucas Inds	62
Marks & Spencer	28
Midland Bk	35
Morgan Grenfell	35
NEI	10
Nat West Bk	60
P & O Dfd	52
Plessey	16
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	60
Reed Intnl	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	10
Wellcome	42
Property	
Brit Land	28
Land Securities	48
MEPC	48
Peachey	40
Oils	
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	10
Ultramar	24
Mines	
Cons Gold	100
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Apl 25	Mar 5	Mar 6	Mar 16
Mar 21	Apl 7	Apl 8	Apl 18
Apl 11	Apl 21	Apl 22	May 3

*New time dealings may take place from 8.00 am two business days earlier.

Gilts and equities steady from initial disappointment with money supply statistics

THE UK securities markets ended in good shape yesterday despite general unhappiness in the City of London with the announcement of significant increases last month in UK money supply and bank lending. Both raised concerns in the markets of renewed inflationary pressures in the UK, and appeared to reduce the likelihood of another early reduction in domestic interest rates.

Equities turned off on the news that bank lending had jumped to £4.7bn in March but were helped into higher ground later by a strong opening on Wall Street. Government bonds, equally unsettled at first by the lending numbers and by a 16.7 per cent annualised gain in M4 money supply, quickly turned higher as sterling headed sharply upwards again.

Dealers admitted to feeling nonplussed by the equity market's reaction to the the latest twist in the interest rate/sterling rate conundrum. The combination of a strong pound and the reduced likelihood of a base rate cut might have been expected to hurt the market as it approaches today's closure of a trading account. *The two week period* has brought net gains of only about 12 FT-SE points in somewhat speculative trading, and profit-taking was expected yesterday. However the early gain in the Dow, which took it away from a chart danger area, finally proved irresistible to London dealers.

The FT-SE Index, down eight points in initial response to the batch of UK economic data, closed a net 5.1 up at 1791.9. Seaq volume remained unexciting at 397.9m shares (451.4m on Wednesday), but included significant activity in such major blue chips as Plessey, GEC, Racal and Hawker Siddeley.

The major institutions continued to stay out of the way, but the trading houses showed little inclination *to sell stock*. This week's modest improvement in equities has often reflected somewhat speculative buying, sparked off by Jacobs Suchard's interest in Rowntree.

Firm bid developments, however, have become harder to find – a much-rumoured "dawn raid" on Storehouse, the store chain, failed to materialise yesterday, as did the predicted move against Sun Life earlier in the week.

Underlying confidence in the industrial sector was encouraged by presentations to City analysts by Shell and RTZ. The Shell team poured scorn on talk of economic recession. Shares in RTZ moved higher in active trading after board members delivered a "most upbeat" presentation to Kleinwort Grieveson, the London securities house.

Government securities ended the day little changed after the rise in the pound had massaged the bruises inflicted by the sharp rises in UK bank lending and money supply. After opening quietly, bonds shed about ¼ as the economic numbers flashed across *the screens – taking their cue* from the bond futures market. But Gilts had already scaled down their base rate expectations because of the Bank's actions in the London money markets earlier this week, and prices quickly rallied as sterling moved up.

Index-linked bonds (I-L), which have been moving up for a fortnight, turned down by about ⅜ yesterday as profits were taken. A higher pound may check hedge buying of I-L stocks.

Racal remained the focus of *attention* in a generally buoyant electronics sector with the shares closing a further 10 higher at 243p on turnover of 11m. Turnover on Wednesday was 3.9m and on Tuesday 12m.

Yesterday's surge of buying interest came in the wake of rumours *that Cable & Wireless is* about to launch a bid for the company. But analysts and dealers were sceptical of the stories pointing out probable political objections to C & W holding both the Mercury licence and the Vodafone cellular telephone licence. Cable & Wireless shares dipped to 317p on the rumours, mirroring fears of earnings dilution, but later rallied to close unchanged at 322p after turnover of 4m.

Inchcape exceeded all but the most optimistic estimates when revealing annual profits of £116.2m compared with £86.1m for 1987. Indications that the trend had continued in the first-quarter encouraged analysts to raise forecasts for the current year, and many opted for a figure of £130m.

Mr Richard Allan of Kleinwort Grieveson Securities, who recommended purchases ahead of the figures, upgraded to £127m, commenting "I suspect that will leave me at the cautious end of the range". The shares, a strong market since Monday, rose 19 further to 738p.

There was a marked resurgence of interest in BP "new" which settled ½ up at 77½p after turnover of 11m shares; the old were a fraction easier at 273p. Second line oils came in for strong "new–time" support with Ultramar especially favoured and finally 12½ up at 277½p reflecting revived takeover speculation; in addition yesterday marked the introduction of dealings in traded options in Ultramar.

Clyde jumped 6 *to* 144p, while talk of encouraging drilling news in the offing lifted Enterprise 3 to 370p. A sharp difference of opinion between two leading UK securities houses as to the merits of Burmah led to intense trading in the stock which closed a net 3 off at 557p after rising sharply earlier in the week.

The major banks drifted aimlessly for much of the session but staged a useful recovery late when Wall Street moved up briskly.

The Scottish banks attracted good interest after generally favourable Press comment on Bank of Scotland's 10.8 per cent profits rise. The latter advanced *16 to 529p* with County NatWest saying the shares are a "good buy and deserve their premium rating". But Citicorp Scrimgeour Vickers say the stock is "overvalued" and recommend a "switch into Royal Bank of Scotland, with a cheaper PE and yield and takeover speculation in the share price for nothing". Royal Bank shares moved up 7 to 335p.

Life assurances continued to make strong progress amid continuing stories of possible takeover moves. Abbey Life, were again well supported by income funds and put on a further 10 to 286p on turnover of 2.3m shares. Pearl Assurance, also full of dividend and where stories of futher stake-building by Larry Adler's FAI continued to circulate, rose 9 more to 463p.

"Any movement in the sector is now attributed to "down-under" interests either increasing or building up a stake" said a leading marketmaker after Vaux had performed strongly yesterday. The shares of the Northern-based brewer flipped higher late Tuesday on what was then thought to be short-covering.

A stronger surge yesterday had traders doubting this and rumours soon began to circulate of "down-under" buying. Market speculation was divided on which of the three Antipodean entrepreneurs holdings stakes in UK brewing groups, Sir Ron Brierley and Messrs Alan Bond and John Elliot, was the culprit. Vaux, due to report interim results on May 12, closed the session 25 up at 580p.

Other Regional brewers became enmeshed in the speculation and Greenall Whitley rose 6 to 218p while Greene King gained 5 to 441p. The majors were not completely overlooked, although business in Allied-Lyons was more evenly-balanced. Scottish & Newcastle, another rumoured target for a "down-under" predator, advanced 6 to 281p.

George Wimpey provided the chief feature in the Building sector, rising 10 to 258p on turnover of 4.3m, including an intra-market trade of 1.2m at 254p/255p. The increase in business accompanied a revival of rumours that Grove Charity, which would have a major say on whether a bid for the company could succeed, had been approached for its 35 per cent stake.

All eyes in the retail sector were concentrated on Storehouse as the market opened expecting either a so-called "dawn–raid" or full–scale takeover bid. But neither event occurred and Storehouse shares dipped sharply to 279p on disappointed selling before picking up strongly to close the session a net 8 off at 287p after turnover totalling 10m shares.

Wednesday evening's rumours of consortium bids involving Mountleigh and the Robert Maxwell interests and a possible 400p a share offer from Lonrho – denied by the latter – were followed yesterday by stories that Far Eastern interests had been heavy buyers in recent days.

Etam added 7 at 284p after announcing preliminary profits up from £12.28m to £17.57m.

Other top–line electricals also attracted a heavy two–way business. GEC, where 5.8m shares changed hands, settled little changed on the day at 151½p, but Plessey, *still stimulated* by various rumours of imminent bid moves, moved up 2 to 159p after persistent "new–time" buying.

Thorn EMI raced ahead to close 14 higher at 620p on turnover of around 1m after Chase Manhattan Securities issued a "buy" recommendation. British Telecom were 4 pence harder at 251p on turnover of 2.6m shares following further persistent buying interest from Nomura the Japanese securities house.

Business expanded in Hawker Siddeley following a favourable response by analysts to the preliminary figures with the shares moving ahead in a volume of some 2.4m to close 8 to the good at 476p. Elsewhere in the Engineers, Rolls-Royce were also briskly traded (3.8m) before settling a couple of pence firmer at 112p.

Speculation in the Food sector continued to wane but Ranks Hovis McDougall made further progress on lingering hopes that Goodman Fielder of Australia may launch a bid for the company. The close was 5 higher at 342p following turnover of 1.2m shares. But Rowntree met further end-Account profit-taking and settled 7 off at 720p after some 2.2m shares had changed hands.

Tate and Lyle held up well despite a rather disappointing set of figures from its Redpath subsidiary and closed only marginally cheaper at 760p. T & L's annual results are due next Thursday. Among Retailers, Dee Corporation firmed 5 to 188p, still in the belief that the management would be beefed up, and also announce the sale shortly of its Linfood subsidiary.

The early sharp improvement on Wall Street gave a modest boost to sentiment in the International stocks but *failed to* generate much in the way of business. Slightly easier initially, most quotations picked up to finish with small gains on balance. Boots, up 4 at 298p, were one of the more actively traded stocks as the market responded favourably to news of the joint venture with Hoechst to manufacture and market Ibuprofen in the US.

AAH remained in the limelight, rising 10 further to 283p following news of the sale of its DIY division, Focus Homecentres, for a cash consideration of £3.2m plus a further sum equivalent to the working equity capital employed in the business, also payable in cash.

Savage closed 13 up at 198p in the wake of the acquisition of two French companies. The group is purchasing Habitat, which specialises in the supply of DIY and homecare products and Triplex, suppliers of power tool accessories.

Metal Closures, enlivened by news that Suter has increased its stake to just over 15 per cent, advanced 11 to 178p. Press mention left Low and Bonar 14 to the good at 251p, while Fitzwilton bid suggestions prompted a rise of 8 to 81p in Waterford Glass. Hodgson, in contrast, dipped 12 to 201p on the poor response to the rights issue; only 10.12 per cent of the £20m issue was taken up by shareholders.

Appleyard benefited from talk of a forthcoming presentation and jumped 20 to 421p; the annual meeting is scheduled for May 12. Other Motor distributors to advance strongly included Evans Halshaw, up 20 more at 316p, and H & J Quick which spurted 17 to 262p after comment relating to its property assets.

Brixton Estates responded positively to the annual results and better-than-expected net asset *value with a gain of 15 at 290p*, but Helical Bar gave ground following the preliminary figures to close 22 lower at 288p.

Peachey were well supported and rose 12 to 452p, while Land Securities recovered from initial weakness at 562p to close 4 higher at 569p. A. & J. Mucklow found support at 165p, up 7.

Polly Peck were another Overseas Trader to enjoy a strong run. Smith New Court bid aggressively for stock as the shares rose to close at 292p, up 17, amid hopes that the group will announce good interim results next month. Lonrho went better following the denial that it was interested in Storehouse and ended 4 dearer at 239p, while Harrisons & Crosfield moved ahead 9 to 598p.

Electrical stocks featured Traded Options. Plessey calls were in demand at 2,637, while Racal attracted 1,660. Thorn also met with out-of-the-money call business. Trade in Ultramar options started yesterday and a good two-way business was reported in the July 280 and 280 calls. Ultramar calls totalled 2,484 with puts at 365. The FTSE contract was relatively neglected with only 952 calls and 1,001 puts reported. Total contracts came out at 39,353, comprising 29,327 calls and 10,026 puts.

FINANCIAL TIMES STOCK INDICES

	Apr. 21	Apr. 20	Apr. 19	Apr. 18	Apr. 15	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	91.01	91.09	91.31	91.43	91.26	91.01	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.92	97.90	98.31	97.75	97.92	97.07	98.31 (19/4)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1423.4	1419.4	1429.7	1419.6	1415.7	1555.2	1476.7 (4/3)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	208.6	216.4	218.1	221.4	217.5	435.4	312.5 (7/1)	208.6 (21/4)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div.Yield	4.58	4.59	4.53	4.57	4.57	3.74				
Earnings Yld. %(full)	11.86	11.91	11.80	11.89	11.91	8.60				
P/E Ratio (net)(*)	10.31	10.27	10.40	10.33	10.31	14.39				
SEAQ Bargains (5pm)	21,815	22,769	23,165	26,075	26,144	38,943				
Equity Turnover (£m)	-	1082.69	976.14	972.90	1746.77	1161.35				
Equity Bargains	-	23,536	24,320	26,257	27,117	46,333				
Shares Traded (ml)	-	404.9	396.0	389.4	454.3	-				

S.E ACTIVITY

Indices	Apr.20	Apr.19
Gilt Edged Bargains	148.4	142.2
Equity Bargains	152.5	157.6
Equity Value	2188.4	1973.0
5-Day average		
Gilt Edged Bargains	145.4	141.0
Equity Bargains	167.8	169.5
Equity Value	2543.1	2688.8

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1413.2	1420.5	1419.0	1415.8	1419.4	1419.3	1420.2	1421.3

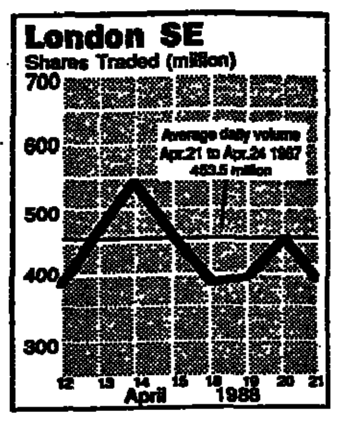
Day's High 1423.7 Day's low 1412.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.20.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

London SE

Shares Traded (million)



Traditional Options

- First dealings Apr 18
- Last dealings Apr 29
- Last declarations July 14
- For Settlement July 25

For rate indications see end of London Share Service

Business contracted in the Traditional option market yesterday. Stocks to attract money for the call included Meekatharra, Bristol Channel Ship, Norfolk Capital, PLM, Kentish Property, Control Securities, Smith and Nephew, Norfolk Capital, Explaura, BOM Holdings, Dares Estates, Astra Holdings, Electronic Machine and Blacks Leisure. No puts were recorded but double options were arranged British Petroleum new and Stylo.

NEW HIGHS AND LOWS FOR 1988

[illegible]

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	1,900	General Accident	257	Prudential	662
Allied-Lyons	1,900	General Elect.	5,700	Racal	11,000
Amstrad	440	Glaxo	1,200	Rank Org.	145
Argyll Group	792	Globe Investment	188	RMC	233
Assoc. Brit. Foods	805	Granada	834	RHM	1,200
BAA	3,300	Grand Met	1,600	Reckitt & Colman	344
BAT	602	GUS "A"	71	Redland	220
BET	267	Guardian R.E.	182	Reed Intl.	502
BICC	327	GKN	1,100	Reuters "B"	828
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	5	102	6
Corporations, Dominion and Foreign Bonds	2	21	29
Industrials	361	414	770
Financial and Properties	126	160	351
Oils	25	30	56
Plantations	0	0	13
Mines	44	64	86
Others	66	97	79
Totals	629	888	1,386

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Thursday April 21 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Apr 20 Index No.	Tue Apr 19 Index No.	Mon Apr 18 Index No.	Year ago (approx) Index No.
[illegible]										

FIXED INTEREST

PRICE INDICES	Thu Apr 21	Day's change %	Wed Apr 20	xd adj. today	xd adj. 1988 to date
[illegible]					

AVERAGE GROSS REDEMPTION YIELDS	Thu Apr 21	Wed Apr 20	Year ago (approx.)
[illegible]			

Opening index 1780.0; 10 am 1786.9; 11 am 1785.2; Noon 1782.3; 1 pm 1784.9; 2 pm 1785.0; 3 pm 1786.3; 3.30 pm 1785.8; 4 pm 1788.6

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.
NAME CHANGES: Country & New Town is now Tennant Properties.

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
[illegible]							

April 21 Total Contracts 39,353 Calls 29,327 Puts 10,026
FT-SE Index Calls 952 Puts 1001
*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]							

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
[illegible]							

[illegible]

WORLD STOCK MARKETS

AUSTRIA | FRANCE | GERMANY (continued) | NETHERLANDS (continued) | SWEDEN (continued)

BELGIUM/LUXEMBOURG | DENMARK | FINLAND | ITALY | NORWAY | SWITZERLAND | SPAIN | SOUTH AFRICA | SWEDEN

[illegible]

JAPAN

JEOL	1,180	-10
Japan Radio	1,360	
Japan Steel Wks	428	-14
Jap S Battery	550	+4
Japan Synth Rbr	1,000	
Jujo Paper	800	+3
Nippon Denso	2,040	+10
Nippon Elect	2,120	-20
Nippon Express	1,170	
Nippon Gakki	2,350	-50
Nippon Hodo	3,410	
Nippon Kayaku	1,240	
Taisho Pharm	2,050	+50
Taiyo Fishery	530	
Taiyo Kobe Bank	1,500	
Takara Shuzo	925	-7
Takeda	3,030	-20
Tanabe Seiyaku	2,550	-30

AUSTRALIA (continued) | HONG KONG | SINGAPORE

Hardie (J)	3.52	+0.02
Hartogen Energy	1.65	
ICI Aust	5.18	+0.08
Industrial Equity	1.76	+0.03
Jones (David)	8.90	+0.08
Kia Ora Gold	0.35	

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices April 21

Sales	Stock	High	Low	Close	Chng
[illegible]					

MONTREAL

Closing prices April 21

Sales	Stock	High	Low	Close	Chng
[illegible]					

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 45

Stock	Sales (Hnds)	High	Low	Last	Chng
QVC		8$\frac{8}{8}$	8$\frac{7}{8}$	8$\frac{3}{4}$	
QuakCh .54	15 28	23$\frac{3}{4}$	23	23	− $\frac{3}{4}$
Quantm	12 1787	11$\frac{1}{4}$	10$\frac{1}{2}$	10$\frac{1}{2}$	− $\frac{1}{2}$
Quiksilv	14 15	5$\frac{3}{4}$	5$\frac{5}{8}$	5$\frac{5}{8}$	
R R					
RPMs .56	19 711	16$\frac{1}{4}$	16	16$\frac{1}{8}$	− $\frac{1}{8}$
RadSys.10e	19 51	9$\frac{7}{8}$	9$\frac{7}{8}$	9$\frac{7}{8}$	
Reeves	29 359	5$\frac{7}{8}$	5$\frac{1}{2}$	5$\frac{5}{8}$	+ $\frac{1}{8}$
Reginas	17 217	18	17$\frac{3}{4}$	17$\frac{3}{4}$	− $\frac{3}{4}$
Repap .05e	21	11$\frac{1}{8}$	11$\frac{1}{8}$	11$\frac{1}{8}$	
Repligen	243	8$\frac{1}{2}$	8	8$\frac{1}{4}$	+ $\frac{1}{4}$
Society 1.36	9 451	33$\frac{3}{4}$	33$\frac{1}{2}$	33$\frac{1}{2}$	
SoctySv .80	8 259	17$\frac{3}{4}$	17	17	− $\frac{3}{4}$
ShwPb	15 632	16$\frac{1}{4}$	15$\frac{1}{2}$	15$\frac{3}{4}$	− $\frac{1}{2}$
SomrSv.12e	6 78	11$\frac{3}{4}$	11$\frac{1}{2}$	11$\frac{1}{2}$	− $\frac{1}{8}$
SonocPs .80	17 2284	27$\frac{1}{4}$	27	27$\frac{1}{8}$	− $\frac{5}{8}$
SCarNt .64	8 137	20$\frac{3}{8}$	20	20	− $\frac{1}{4}$
SCalWt 2.02	9 29	27$\frac{3}{4}$	27	27	− $\frac{1}{4}$
Sounet	31 60	17$\frac{3}{4}$	17$\frac{1}{2}$	17$\frac{3}{4}$	+ $\frac{1}{4}$
SobidSv	259	20	19$\frac{3}{4}$	19$\frac{3}{4}$	− $\frac{1}{4}$
Soutrst .88	9 68	21$\frac{3}{4}$	21$\frac{1}{2}$	21$\frac{3}{4}$	
Sovran 1.44	9 2277	34$\frac{5}{8}$	34$\frac{1}{8}$	34$\frac{1}{4}$	− $\frac{1}{8}$
Spiegel .16e	9 182	11$\frac{1}{8}$	11	11$\frac{1}{8}$	+ $\frac{1}{8}$
UnPlntr .60	19 322	25$\frac{3}{4}$	25$\frac{1}{4}$	25$\frac{3}{4}$	+ $\frac{1}{2}$
UnSpIC	27 167	32$\frac{1}{4}$	32	32$\frac{1}{4}$	+ $\frac{1}{8}$
UACm .04	48 365	29$\frac{1}{2}$	29	29$\frac{1}{2}$	+ $\frac{1}{4}$
UBCol	25 6848	15$\frac{7}{8}$	15$\frac{1}{2}$	15$\frac{5}{8}$	+ $\frac{1}{8}$
UnEdSe	19 822	u16$\frac{3}{8}$	16	16$\frac{1}{8}$	
UFireC .96	4 35	25	25	25	−1
UHltCr	70	4$\frac{1}{2}$	4$\frac{1}{2}$	4$\frac{1}{2}$	− $\frac{1}{4}$
UtdSvrs .72	5 152	18$\frac{1}{4}$	18$\frac{1}{4}$	18$\frac{1}{4}$	
USBcp 1	9 741	24$\frac{1}{2}$	23$\frac{3}{4}$	23$\frac{7}{8}$	− $\frac{3}{8}$
US HltC .16	3286	8$\frac{1}{8}$	7$\frac{3}{4}$	7$\frac{3}{4}$	− $\frac{1}{4}$
USTrst 1.16	13 846	43$\frac{3}{8}$	42$\frac{3}{4}$	42$\frac{3}{4}$	− $\frac{1}{2}$
UStatn .26	17 50	20$\frac{3}{4}$	20	20	
Wyman .80	19 38	15$\frac{3}{4}$	15$\frac{1}{2}$	15$\frac{1}{2}$	
Wyse	10 2161	19$\frac{3}{8}$	18$\frac{7}{8}$	19$\frac{1}{8}$	
X Y Z					
XL Dta	18 1218	24	23$\frac{1}{2}$	23$\frac{1}{2}$	
XOMA	122	11	10$\frac{1}{2}$	10$\frac{1}{2}$	− $\frac{1}{4}$
Xicor	19 710	8$\frac{5}{8}$	8$\frac{3}{8}$	8$\frac{3}{8}$	− $\frac{1}{4}$
Xidex	1504	6$\frac{1}{4}$	6	6$\frac{1}{8}$	
Xyvsn	37 89	5$\frac{1}{4}$	5	5$\frac{1}{8}$	− $\frac{1}{8}$
YlowFs .82	17 1086	24$\frac{3}{4}$	24	24$\frac{5}{8}$	+ $\frac{1}{2}$
ZionUt 1.44	415	25$\frac{3}{4}$	25	25$\frac{3}{4}$	+ $\frac{3}{4}$
Zondvn	58 160	10$\frac{1}{2}$	10$\frac{1}{8}$	10$\frac{1}{8}$	

INDICES

NEW YORK — DOW JONES

	Apr. 20	Apr. 19	Apr. 18	Apr. 15	1988 High	1988 Low	Since compilation High	Since compilation Low
ϕIndustrials	1985.41	1999.50	2008.12	2013.93	2118.08 (12/4)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.72	88.92	89.33	89.48	91.25 (3/3)	86.12 (4/1)	—	—
Transport	827.36	836.47	836.17	833.33	904.12 (23/3)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	167.26	168.74	168.56	169.16	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

ϕDay's High 2015.42 (2047.08) Low 1975.46 (1990.55)

STANDARD AND POOR'S	Apr. 20	Apr. 19	Apr. 18	Apr. 15	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	256.12	257.92	259.21	259.77	271.56 (13/4)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	298.33	300.50	302.05	302.68	316.53 (13/4)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	21.88	21.95	22.00	22.06	24.04 (3/3)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	145.13	146.17	146.77	147.00	153.20 (13/4)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	297.72	299.92	300.92	299.24	306.59 (12/4)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	374.24	376.86	375.10	373.90	383.41 (13/4)	331.97 (12/1)	456.28 (26/8/87)	54.87 (31/10/72)

	Apr. 1	Mar. 25	Mar. 18	year ago (approx.)
Dow Industrial Div. Yield	3.35	3.53	3.35	2.86
	Apr. 13	**Apr. 6**	**Mar. 23**	**year ago (approx.)**
S & P Industrial div. yield	2.90	2.96	2.93	2.47
S & P P/E ratio	15.60	15.21	15.39	22.12

TRADING ACTIVITY †Volume

Millions	Apr. 20	Apr. 19	Apr. 18
New York	147.590	161.910	144.775
Amex	8.725	9.712	9.088
OTC	133.537	128.543	102.014

NEW YORK	Apr. 20	Apr. 19	Apr. 18
Issues Traded	1,970	1,977	1,983
Rises	465	779	785
Falls	1,025	733	757
Unchanged	480	465	441
New Highs	6	12	5
New Lows	13	15	12

CANADA

TORONTO	Apr. 20	Apr. 19	Apr. 18	Apr. 15	1988 High	1988 Low
Metals & Minerals	[illegible]					
Composite	[illegible]					
MONTREAL Portfolio	[illegible]					

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing prices	Change on day
[illegible]			

	Apr 21	Apr 20	Apr 19	Apr 18	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1438.9	1430.1	1452.4	1451.0	1467.6 (14/4)	1170.7 (10/2)
All Mining (1/1/80)	698.7	692.9	704.7	693.2	773.6 (14/1)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	173.14	172.45	172.51	172.48	178.92 (21/3)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/80)	4670.8	4682.3	4705.8	4685.2	5043.1 (9/3)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	194.43	193.89	193.32	192.61	200.07 (11/4)	180.68 (4/1)
FINLAND						
Unitas General (1975)	647.4	640.4	635.4	631.7	647.4 (21/4)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	301.5	300.4	301.2	302.6	306.9 (23/2)	251.3 (29/1)
Ind. Tendance(31/12/87)	109.0	107.7	107.7	108.8	112.3 (25/2)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	452.62	455.24	457.82	455.3	476.37 (18/3)	396.40 (29/1)
Commerzbank (1/12/53)	1378.5	1388.4	1398.1	1389.8	1457.5 (18/3)	1207.9 (29/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2552.71	2578.44	2593.93	2551.96	2684.13 (14/4)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	508.95	520.12	517.94	518.61	545.07 (18/3)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	26828.16	26864.09	26657.00	26671.45	27111.35 (14/4)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2152.98	2162.46	2150.89	2155.29	2193.95 (14/4)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	246.8	247.0	248.5	248.7	280.3 (24/2)	205.7 (4/1)
ANP-CBS Industrial (1970)	204.6	205.4	206.6	206.9	211.7 (14/4)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	389.35	391.91	394.33	398.14	412.04 (11/4)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	944.4	938.4	930.9	930.7	969.40 (21/3)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1218.0	1261.0†	1273.0	1317.0	1790.0 (7/1)	1212.0 (29/2)
JSE Industrial (28/9/78)	1511.0	1527.0†	1514.0	1521.0	1564.0 (11/1)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	269.75	272.39	272.87	274.87	281.14 (14/4)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	2717.1	2719.8	2710.5	2716.6	2858.7 (14/4)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	516.6	516.2	520.5	(c)	539.5 (18/3)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	455.4	455.4	455.9	463.4 (13/4)	401.0 (21/1)

**Saturday April 16: Japan Nikkei (c). TSE (c)

† Amended at source.

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Metals – 500; (c) Closed. (u) Unavailable.

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
AAH	283	+ 10
Abbey Life	286	+ 10
Appleyard	421	+ 20
Bank of Scotland	529	+ 16
Brixton Estate	290	+ 15
Inchcape	738	+ 19
Low & Bonar	251	+ 14
Metal Closures	178	+ 11
Polly Peck Intl.	292	+ 17
Quick (H.&J.)	262	+ 17
Racal Elect.	243	+ 10
Savage	198	+ 13
Scott. & Newcastle	281	+ 6
Thorn EMI	620	+ 14
Time Products	192	+ 11
Ultramar	277$\frac{1}{2}$	+ 12$\frac{1}{2}$
Vaux	580	+ 25
Waterford Glass	81	+ 8
Wimpey (G.)	258	+ 10
FALLS		
Helical Bar	288	− 24$\frac{1}{2}$
Hodgson Hldgs.	200	− 13
Rowntree	720	− 7

TOKYO - Most Active Stocks
Thursday, April 21, 1988

	Stocks Traded	Closing Prices	Change on day
Kobe Steel	39.36m	347	-6
Mitsubishi Heavy Ind.	24.32m	728	-17
Nippon Kokan	24.23m	402	-9
Nippon Steel	18.29m	477	-9
Brigestone	15.28m	1,540	+20
Yamashita-Shinnihon	11.39m	245	-6
Mitsubishi Steel	10.21m	841	+34
Yamaha Motor	8.03m	1,410	+40
Mitsui Engineering	7.17m	333	-8
Kamigumi	7.17m	730	+20

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.5	19	68	23¾	23⅛	23½	+⅜
27	10½	AGS s			14	472	17⅝	17	17¼	−⅛
10½	4⅝	AMCA				4	4¾	4¾	4¾	
6⅝	3¼	AM Intl				1466	4	3⅞	3⅞	
65½	26¾	AMR			13	6385	43¼	42⅝	42¾	+⅝
12¼	6⅝	ARX			9	28	8⅞	8⅝	8⅝	−¼
72⅞	40⅛	ASA	3	6.7		344	45¼	44¾	44¾	−½
22⅝	9½	AVX			14	342	17¼	17	17¼	+⅜
66⅝	40	AbtLab1.20		2.7	16	4530	46⅝	45⅛	45¼	−⅝
28	15⅝	Abitibi g	1			79	18⅛	18	18	+⅛
16¾	8½	AcmeC .40		3.2		17	12⅝	12⅛	12⅝	+¼
10½	6¾	AcmeE.32b		4.6	16	64	7⅛	7	7	−⅜
20	14⅛	AdaEx 3.05e		20.		45	15½	15⅜	15⅜	−⅛
18¾	6⅞	AdamMl.24		1.3	15	1451	u19	18⅛	18¾	+½
24⅞	7½	AMD				3428	13¼	12¾	12½	
11⅞	4⅝	Adobe			13	80	7¾	7½	7⅝	−⅛
20¼	16¼	Adob pf 1.84		10.		2	17⅞	17⅞	17⅞	−⅛
21¾	17½	Adob pf 2.40		12.		18	20⅝	20½	20⅝	+⅛
15	6⅛	Advest .12a		1.7	7	94	7⅛	7	7⅛	+⅛
64¼	42¾	AetnLf 2.76		6.5	6	3119	43⅜	42⅝	42⅝	+⅛
63½	41	AflPub .40		.7	33	327	58⅛	57⅝	57¾	−⅜
23¾	13	Ahmans.88		6.3	7	1619	14¼	13⅞	14	
4⅞	1¾	Aileen				206	3⅝	3⅜	3⅜	−⅛
53⅞	29	AirPrd	1	2.2	14	2231	45⅞	44⅞	45¼	+¼
36	11⅛	AirbFrt .60		3.6	19	99	16⅞	16¾	16¾	
16½	6¾	Airgas			16	96	12¼	12⅛	12⅛	+⅛
19¾	13½	Airlease.30		13.	10	66	18¼	18	18¼	+¼
½	5-16	AlMoan			47	7	15-32	15-32	15-32	
27¾	25½	AlaP pf2.04e		7.8		1096	26⅛	25⅞	26⅛	+⅛
[illegible]										

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
59¼	34¾	Pennzl	2.40	4.2	14	612	58¾	57½	57½	−¾
39½	20½	Penw	pf1.60	4.8		6	33⅝	33¼	33¼	−⅛
88	38½	Pennzo	2.20	3.0	105	991	73½	72	72¼	−¾
22⅞	14¼	PeopEn	1.52	8.8	10	320	17⅞	17⅛	17¼	−¼
18⅞	9½	PepBy s	.10	.8	20	2118	12½	11¾	12¼	+⅜
42¼	25½	PepsiCo	.68	2.0	15	6315	34¼	33¼	33⅝	+⅛
12	7⅝	PerkF	1.20e	12.	12	64	9¾	9⅝	9⅝	
41⅛	18½	PerkEl	.60	2.3		1175	25⅞	25⅜	25⅜	
8⅞	5⅛	Prmian	.59e	9.8	13	64	6	5⅞	6	
10¼	6¾	PrLP	pr1.15	15.		132	8	7⅞	7⅞	−⅛
13⅝	5¼	PeryDr				165	9½	9⅜	9⅜	
40	14¼	Petrie	.20	1.0	19	195	19⅝	19⅛	19⅜	+⅜
21	15⅝	PetPar	2.09	11.	10	99	19¼	18⅞	18⅞	
33½	20½	PetRs	3.16e	12.		68	25¾	25½	25⅝	
18	15	PetRs	pf1.57	9.5		5	16½	16½	16½	
2⅛	¾	Phlmr	.22e	16.		20	1⅜	1⅜	1⅜	
76½	40	Pfizer	2	3.7	13	4979	55⅛	53¾	54⅜	−⅞
56	28⅛	PhelpD	.60	1.5	9	3249	41⅜	40	40¼	−⅞
74	37	PhlpD	pr 3	5.2		880	57⅝	57¼	57⅜	−1⅜
23⅝	16¾	PhilaEl	2.20	13.	7	4796	17⅜	17	17⅛	+⅛
45½	37½	PhE	pfB4.30	11.		z20	39⅝	39⅛	39⅝	
46½	36½	PhE	pfC4.40	11.		z100	41	41	41	
48½	39	PhE	pfD4.68	10.		z10	45	45	45	−1
87	68	PhE	pfG8.75	11.		z500	80⅝	79½	80⅝	−½
103½	85	PhE	pfS9.50	11.		108	87	86⅝	86½	+½
100¾	93⅞	PhE	pfT9.87	11.		100	93½	d93½	93½	−½
13¼	11	PhE	pfR1.41	12.		37	11¾	11½	11⅝	
[illegible]										

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
47¾	26½	SaraLe	4.20	3.2	15	1497	38½	37⅜	37¾	+⅛
14¼	10⅝	SavE	pf1.28	11.		5	11¾	11¾	11¾	−⅛
2	9-64	Savin				2041	13-32	11-32	13-32	+1-[illegible]
5⅝	13-16	Savin	pf			75	5⅛	4¾	5⅛	+⅛
34½	26½	SCANA	2.40	7.9	9	211	30¾	30⅛	30⅜	−⅛
9⅝	5⅝	Schlr	.31e	4.4		54	7	6⅞	7	
57⅜	31¼	SchrPl	s1.20	2.5	17	4091	48¾	46½	47½	−1[illegible]
51	28	Schlmb	1.20	3.3	20	6868	37	35¾	36½	+½
17	5¾	Schwb n			17	157	7¾	7½	7¾	+⅛
20¼	8⅛	SciAtl	.12	.8	12	502	15¼	14¾	14⅞	−⅜
43½	27½	ScottP s	.74	2.0	11	1639	37⅝	36¼	37	+¾
15⅞	10	Scottys	.52	3.6	18	60	14¾	14½	14½	−¼

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19⅝	6⅞	TritnG s			3	21	15⅛	15	15⅛	+⅛
24¼	11⅞	TritEng	.10b	.6	13	375	18	17¾	17¾	−¼
29¼	18⅛	TriE	pt 2	8.2		11	24⅜	24⅛	24⅜	+⅜
61½	49¼	TucsEP	3.90	6.9	11	168	57	55¾	55⅞	−⅜
15⅝	7	Tultex s	.36	3.6	11	271	10¼	10	10⅛	
33½	17¼	TwinDs	.70	2.6	11	36	27¼	27	27	+⅛
29⅝	15¾	TycoL s	.24	.8	24	954	29	27⅛	28½	+1⅛
15¾	9¼	Tyler	.44	3.1	14	85	13¼	12¾	13	−⅜

U U U

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25¼	11¾	UDC	2.20	12.	8	98	18	17⅝	18	+¼
30	21¾	UGI	2.04	7.5	10	35	27¼	27⅛	27¼	+¼

X Y Z

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
65	50	Xerox	3	5.7	10	4515	53⅝	52¼	52⅝	−¾
50¼	48¼	Xerox	pf			80	49½	49½	49½	−¼
50¾	48¾	Xerox	pf4.13	8.4		2	49	49	49	
36¾	19⅛	XTRA	.64	2.0	16	64	33¼	32½	32⅝	−⅞
29¾	19½	XTRA	pf1.94	6.9		15	28¼	28¼	28¼	−⅛
45¼	17½	Yorkin			13	171	42¾	42⅝	42⅝	−¼
7¼	2¼	Zapata				95	3¼	3⅛	3⅛	
37	19½	Zayre	.40	1.7	11	5171	24⅜	23½	24⅛	−⅜
16⅛	8⅝	Zemex	.40	3.0	17	16	13¼	13	13¼	+⅛
33⅝	10	ZenithE				1265	18½	17¾	18	−¾
10⅞	10	Zenin n				295	10⅛	10	10	
11⅝	1¾	ZenLab				277	2⅝	2¼	2⅝	
24	19½	ZenNtl	.80	4.0	10	701	20½	20⅛	20⅛	−⅜
20⅜	11⅝	Zero	.36	2.7	14	143	13⅝	13⅛	13⅜	+¼
30¾	15	Zurnin s	.68	3.3	14	141	21¼	20⅝	20¾	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 43

AMERICA

Dow finishes slightly up after early surge

Wall Street

AFTER a string of three daily declines, the equity market bounced back strongly yesterday only to lose all its gains within a half hour period during afternoon trading, *writes Janet Bush in New York*.

The Dow Jones Industrial Average had jumped 15 points within the first half hour of trading and then built on its gains to stand around 30 points higher for most of the day. However, between 2.30 and 3pm, the index had fallen back more than 20 points. The Dow closed only 1.59 point up overall at 1,987.40. Volume was relatively active with around 169m shares having changed hands.

US Treasury bonds traded in a very narrow range all day and closed mixed. *Shorter maturities* were quoted lower to unchanged in late trading while the Treasury's benchmark long bond stood ¼ point lower to yield 9.02 per cent.

Bonds were undermined by a rather high Federal Funds rate at the start of a new two-week reserve period and by the lack of genuine end-demand which has dogged the market for some time.

Currency trading gave little guidance to either market with the dollar trading in a tight range. In late New York trading, it was quoted at Y124.30, near its day's highs, and at DM1.6685.

Both bond and equity markets are still suffering from residual nervousness after last week's extreme volatility in the wake of February's US trade report. Because of this, investors had not reacted until yesterday to this week's string of positive corporate results.

One interesting piece of news yesterday was the announcement by Merrill Lynch that it adjusted its model portfolio, advising clients to cut their stock exposure to 40 per cent from 45 per cent and boost their commitment to the bond market to 45 per cent from 40 per cent.

Mr Charles Clough, Merrill's chief investment strategist, said it was urging higher exposure to the bond market because he expected current inflation fears to recede. He added that with yields on the benchmark long bond now over 9 per cent, bond yields were *about three times the* average stock yield.

Despite the fact that the bond market appears to be hugely oversold, there still seems to have been little domestic or foreign interest. Some traders seem to be pinning their hopes almost exclusively on another major decline in the stock market which would provoke a flight to quality.

Takeover stocks were again in focus yesterday. Staley Continental added $¾ to $37¼ after the board recommended shareholders to reject the $32 a share bid from Tate & Lyle of Britain. Staley said it would explore various alternatives *such as a sale to a* third party or a leveraged buyout.

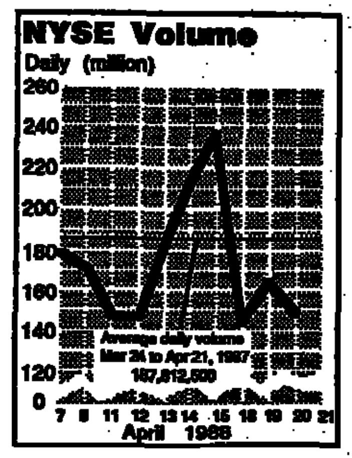
Elgin National Industries added $1⅛ to $17 after news that it had agreed to be taken over by Jupiter Corp for $17.25 a share.

Among companies reporting results were *Salomon Brothers* and American Express. Salomon announced first quarter net earnings of $1.19 a share compared with 98 cents a year earlier. It's share price slipped $⅛ to $21⅛.

American Express, which achieved net earnings of $366m or 83 cents a share compared with $314m or 71 cents a year earlier, a total which had included $49m in deferred income tax benefits, slipped $⅛ to $23⅝.

Data General added $⅝ to $23⅝ after it announced net income from operations of $14.8m for its fiscal second quarter compared with a loss of $34.4m a year earlier. *Compaq Computer fell* $⅝ to $50⅝ on news of net earnings of $1.21 a share compared with 56 cents a year earlier.

Schering-Plough, the pharmaceutical and consumer products company, fell $1⅝ to $47⅝. The company announced first quarter net earnings of 91 cents a share compared with 72 cents a year earlier.



Canada

EARLY gains in Toronto stock prices were turned around after several banks raised their prime lending rates.

The composite index, which was up about six points earlier, closed down 15.7 at 3329.7, on moderate volume of 25.5m shares.

Royal Bank of Canada, Toronto Dominion Bank, Bank of Nova Scotia and National Bank all raised their prime rates to 10¼ per cent from 9¾ per cent.

William Dullforce looks at why volumes remain low in Zurich despite good fundamentals

Dollar fears keep foreigners and fund managers at bay

THE SWISS stock market has seen relatively low volumes over the past two weeks as foreign investors and domestic pension fund managers continue to stay away in force, in spite of good fundamentals.

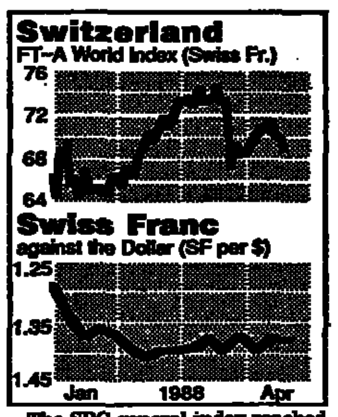
The fundamentals include an economy that is in good shape, a strong currency, a series of corporate reports presaging better earnings prospects for 1988 than previously expected, and the relative cheapness of Swiss stocks.

The problems remain the US dollar and Wall Street. Six months after the crash in New York, which provoked a 38 per cent plunge in the Swiss market, investors are still reluctant to trust in Swiss equities as long as uncertainty hovers over the US financial markets.

The close relationship is seen in the 7 per cent drop in share prices over two days just before Easter, as investors reacted to a weakening in the dollar rate. The sudden fall followed a slow but steady rally from mid-January and improved monthly trading volumes from January to March.

The hopes of a return of foreign investors to help boost volumes have, ironically enough, been countered by some Swiss companies' attempts to protect themselves against takeover bids and unwanted outsiders. This week, for example, Ciba-Geigy and Sandoz moved to tighten further restrictions on the registration of shares entitling shareholders to vote.

Registered shares are not available to non-Swiss investors, but, as one Zurich broker exclaimed: "When they see Ciba-Geigy castrating its shareholders, it puts them off the whole market."



The SBC general index reached its 1988 peak of 536.2 on March 18, a climb of 12.6 per cent from the beginning of the year. Last Wednesday's *fall took it to* 494.5, or 6 per cent below the peak, and yesterday, after a quiet day, the index closed at 493.8.

On Wednesday, investors reacted negatively to Pirelli's restructuring, and the price of the Zurich-listed Société Internationale Pirelli tumbled 12 per cent.

Zurich's response to the worse-than-expected US trade figures last week was more resilient, however, with the index losing only 1 per cent the day after the news, compared with the drop of close to 5 per cent on Wall Street. *The big Swiss banks reportedly* intervened to keep up prices.

Prices of Swiss bearer shares and non-voting participation certificates available to foreign investors have been more volatile than those of the registered shares. They have recovered some of the ground lost *during* October but, compared with the 8 per cent rise in registered stocks over the past 12 months, the participation certificates have tumbled by 10 per cent and the bearers are down by 2 per cent.

Interest has concentrated recently on metals and *mechanical engineering stocks. The small* metals sector has seen a 35 per cent surge over the past three months, based on recoveries at Alusuisse and Von Roll.

SBC's metals and machinery sub-index rose 18 per cent from the start of the year to March 18 and has *fallen by only about* 2.5 per cent since. The sector has been boosted primarily by improved prospects for Brown Boveri after its merger with Sweden's Asea, by renewed interest in Georg Fischer and the struggle for control at Sulzer.

The miscellaneous services sector, which recovered by about 25 per cent between January 1 and March 18, has since slid back by 6 per cent. Good reports from Adia, Inspectorate and Surveillance have helped their prices to recover from the beating they took in October.

Chemicals have lost 5 per cent since March 18 after climbing between 15 and 16 per cent from the beginning of the year. But it is banks, with a 9.5 per cent decline since March 18, that remain an investor's bugbear — in spite of the fact that big bank *shares are trading at historically* high yields of well over 4 per cent.

Hopes of a new general rally remain strong among brokers. Pension funds are awash with cash, money market rates are low, and bond yields are declining — *so the fixed-income sector* offers no real competition to equities, they argue.

ASIA

Wall Street drop saps spirit of Japan's investors

Tokyo

THE FRESH fall on Wall Street dampened enthusiasm in Tokyo yesterday and share prices slipped in thin trading, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average ended 85.98 points lower at 26,828.16 after moving between a high for the day of 26,870.74 and a low of 26,790.79. Volume shrank to 687m shares from Wednesday's 993m and declines outnumbered advances by 501 to 402, with 155 issues unchanged.

Wall Street's drop for the third consecutive trading day sent investors to the sidelines, although concern over an escalation of the US-Iranian confrontation in the Gulf faded.

Institutional investors' expectations of higher prices to come remained strong: financial statements to be released from mid-May by businesses which closed their books in March are expected to show improved earnings.

Nevertheless, wariness about a possible rekindling of inflation in the US precluded them from entering the market aggressively.

While giant-capitals, high-technology stocks and other leading shares were neglected, investors sought issues with specific incentives and speculative stocks to earn short-term capital gains.

Bridgestone closed Y30 higher at Y1,540 after rising to Y1,560 on further consideration of its bid for the tyre division of Firestone Tire and Rubber of the US.

Mitsubishi Steel was sought as a laggard, gaining Y34 to Y841, while Yamaha Motor remained popular, gaining Y40 to Y1,410.

Kamigumi rose Y20 to Y730 on rumours of speculative buying. However, recently popular Mitsui Engineering and Shipbuilding lost Y6 to Y333 after rising Y1.

Among speculative issues, Taisho Pharmaceutical surged Y50 to Y3,050 on reports that it will set up a communications network.

Large-capital stocks fared poorly. Kobe Steel dipped Y6 to Y347, although the issue topped the active list with 39.36m shares traded. Mitsubishi Heavy Industries, second busiest with 24.32m shares, declined Y17 to Y728.

Bond prices moved narrowly in the absence of new factors influencing the market. Dealers were concerned about possible rises in US interest rates.

The yield on the benchmark 5.0 per cent government bond, maturing in December 1997, ended at 4.445 per cent, down slightly from 4.470 per cent at Wednesday's close. On the other hand, the yield on the former benchmark issue, the 5.1 per cent bond due in June 1996, finished at 4.420 per cent compared with Wednesday's 4.435 per cent close.

Osaka Securities Exchange prices turned down slightly as leading shares were neglected. The 250-issue OSE stock average ended 39.24 points lower at 26,773.39, on an estimated volume down 26m to 83m shares.

Kinki Electrical Construction dropped Y80 to Y2,900 and Osaka Soda Y50 to Y1,680.

Australia

AFTER Wednesday's sharp fall, Australian shares picked up on bargain-hunting and a stronger local dollar, shrugging off lower commodity prices and declines in other leading markets.

The All Ordinaries index closed 8.8 higher at 1,439.9 after a weak start gave way to demand for banks, selected industrials and resource and mining stocks.

Despite the fall in the bullion price, selected gold stocks rose, notably Metana, up 20 cents at A$8.30, and Newmont Australia, which gained 10 cents to A$1.85.

Singapore

SMALL investors dominated thin and uncertain trading in Singapore, where buying and selling alternated to leave prices mixed. The Straits Times Industrial index rose 6.01 to 944.49.

Hong Kong

WEAKNESS in Tokyo and New York undermined sentiment in Hong Kong and left share prices lower across the board in quiet trading worth about HK$750m. The Hang Seng index finished 25.73 lower at 2,552.71.

EUROPE

Transatlantic worries hit prices

CONTINUED fears about Wall Street and the dollar kept a rein on bourses around Europe, and most lost ground yesterday. But Paris rose as the trading month ended, *writes Our Markets Staff.*

FRANKFURT ended lower in quiet trading as investors kept one eye firmly fixed on movements on Wall Street and in the dollar.

Corporate news provided only small price movements overall, and the FAZ index ended 2.62 lower at 452.62.

"People think it looks like Frankfurt's had its run," said one analyst. "There really is a dearth of stocks that you can put your finger on and say 'that's undervalued and is going to grow 10 per cent'."

News of higher group profits gave just 50 pfg to chemicals stock BASF, which closed at DM245.70. Investors appeared reluctant to move before seeing the fine details, to be released with the annual report.

In the publishing sector, Axel Springer dropped DM40.50, or 7 per cent, to DM519.50 after news that the Burda brothers were selling their 26.1 per cent stake to the Springer family. Favourable reaction to Preussag's venture with Penarroya of France helped the West German metals group rise DM6.50 to DM169.

Bond prices were slightly firmer and the 6¼ per cent 1998 unit added 5 pfg to yield about 6.26 per cent after the previous 6.27 per cent.

PARIS closed higher at the end of the April monthly trading account *after another session* dominated by Cie du Midi and Peugeot. The CAC General index, based on *opening* prices, showed a 1.1 rise to 301.5, while the Indicateur de Tendance moved up 1.30 to 109.00.

Volume remained fairly low in the run-up to Sunday's first round of the presidential election, but domestic buying continued after the official close, signalling a possibly bullish start to the new trading month today.

Insurance and industrial group Cie du Midi saw its shares end FFr65 higher at FFr1,775 after a rash of statements related to Generali of Italy's stake-building. Generali, which holds at least *13.6 per cent, denied it* was seeking full control, and Finance Minister Mr Edouard Balladur said companies acquiring stakes of more than 20 per cent would from April 25 have to declare their final intentions.

Mr Albert Alonzo, analyst with BZW in London, said Generali was probably interested in acquiring Midi's insurance interests but could not state its intentions openly given the proximity of the elections and sensitivity over recent Italian moves into Belgium – with the Société Générale battle – and France – with Ferruzzi's purchase of *Lesieur* from St Louis.

Construction to media group Bouygues added FFr11 to FFr775 following a small rise in 1987 profits in line with expectations. Générale des Eaux, the water distribution company which is planning a rights issue, jumped FFr60, or 5.5 per cent, to FFr1,140.

MILAN was hit by negative reaction to the complex restructuring of Pirelli, which returned to trading after being suspended for two days.

Pirelli plunged L429, or 12.8 per cent, to L2,931, falling after hours to L2,830. The MIB index fell 23, or 2.1 per cent, to 1,052.

Denials from insurance group Generali that it wanted to take control of French insurance group Cie du Midi took the stock lower, with it losing L2,600, or 3 per cent, to L87,520.

Recent hot favourite Burgo, the paper producer, dropped L610, or 5 per cent, to L12,990.

AMSTERDAM remained hesitant and quiet amid continued worries over US inflation and interest rates. Wall Street's firmer opening provided limited support and the all-share index closed steady at 84.7.

Transport group Nedlloyd, which has risen 54 per cent in the *past three months largely on* takeover speculation, was suspended at Fl 246, up 80 cents, before announcing a 1987 loss of Fl 1.01bn, slightly higher than expected. *Analysts* were surprised the dividend was held at Fl 7, seeing this as a move to placate shareholders before the crucial mid-June AGM.

ZURICH closed almost unchanged in low turnover as most investors sat on the sidelines, impervious to good corporate results or the rise in the dollar. The Crédit Suisse index eased 0.5 to 450.7.

Ciba-Geigy, the pharmaceuticals and chemicals company, rose SFr45 to SFr2,825 after forecasting stable profit levels for 1988 and reporting a 6 per cent rise in first quarter profits.

Société Internationale Pirelli bearers fell SFr13 to SFr265.

STOCKHOLM recovered from early losses to close virtually unchanged on bargain-hunting.

The Affärsvärlden index gained 2.1 to 795 and the 16 most active stocks accounted for most of the business.

Chemicals stock Sandoz was unchanged at SFr11,650 despite its prediction the previous day of profit growth this year.

BRUSSELS shares slipped in thin trading amid uncertainty about the direction of interest rates, inflation and the dollar.

In chemicals, Solvay dropped BFr275 to BFr12,025 and UCB gained BFr110 to BFr8,980 after rumours that holding company Financière D'Obourg might seek to raise its stake. UCB reported a slight rise in 1987 earnings after *trading closed.*

London

THE STRONG start on Wall Street boosted international stocks in London, though volumes remained low. Boots shone on news of a joint venture with Hoechst in the US.

The lead from New York outweighed a strong pound and increases in UK bank lending and money supply, leaving the FT-SE 100 index 5.1 better at 1,791.9.

SOUTH AFRICA

THE WEAKER financial rand led to foreign buying of Johannesburg gold stocks, which helped to pick prices up from their day's lows.

The financial rand ended at $2.91 against Wednesday's $2.88 after news that a US Bill imposing economic sanctions against South Africa had cleared the first Congressional hurdle.

Early selling of golds had been prompted by a weaker bullion price as the market opened. Among such issues, Vaal Reefs finished R10 lower at R243, Freegold lost R1 to R28.50 and Buffelsfontein shed R2.25 to R51.25.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY APRIL 21 1988					WEDNESDAY APRIL 20 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (89)	119.89	+0.8	93.62	106.09	4.09	118.88	93.08	105.44	122.31	91.16	129.10
Austria (16)	92.10	+0.2	71.93	79.49	2.64	91.94	71.99	79.24	98.18	84.35	92.44
Belgium (65)	126.77	−0.4	99.00	109.42	4.56	127.28	99.66	109.86	139.89	99.14	119.61
Canada (126)	122.84	−1.0	95.93	109.72	3.00	124.05	97.13	110.31	125.49	107.06	128.03
Denmark (39)	119.89	+0.4	93.62	104.19	2.77	119.43	93.51	103.83	123.36	111.42	112.91
Finland (25)	126.64	+0.6	98.90	105.82	1.98	125.84	98.53	105.01	127.89	106.78	—
France (121)	88.04	+0.8	68.75	78.03	4.32	87.34	68.39	77.41	88.72	72.77	119.94
West Germany (99)	78.10	−0.7	60.99	67.55	2.71	78.65	61.58	68.02	80.79	67.78	94.66
Hong Kong (46)	100.68	−1.1	78.63	100.99	4.51	101.79	79.70	102.08	105.83	84.90	107.30
Ireland (18)	120.91	+1.2	94.42	106.18	4.18	119.51	93.57	104.95	123.91	104.60	119.39
Italy (102)	77.39	−2.4	60.44	71.51	2.62	79.31	62.09	73.23	81.74	62.99	109.84
Japan (457)	172.72	−0.7	134.88	135.55	0.52	173.88	136.14	136.23	177.27	133.61	156.56
Malaysia (36)	129.11	+0.4	100.83	127.77	2.83	128.59	100.69	127.18	129.74	107.83	151.61
Mexico (14)	141.21	+2.0	110.27	351.71	1.01	138.43	108.39	344.63	176.90	90.07	151.82
Netherland (38)	109.47	+0.3	85.49	93.21	4.96	109.19	85.50	92.97	110.66	95.23	114.92
New Zealand (22)	76.59	+0.0	59.81	61.03	5.40	76.58	59.96	61.17	79.15	64.42	95.19
Norway (25)	125.53	−0.7	98.03	104.53	2.82	126.37	98.94	105.53	129.29	98.55	133.51
Singapore (26)	108.62	+0.5	84.82	100.24	2.49	108.07	84.62	99.70	114.93	97.99	126.13
South Africa (60)	125.44	−1.8	97.96	79.65	5.26	127.75	100.03	81.11	139.07	118.16	178.12
Spain (42)	152.21	−0.6	118.86	126.96	3.35	153.07	119.85	127.67	155.36	130.73	115.95
Sweden (38)	120.21	+0.1	93.88	104.06	2.71	120.05	94.00	103.92	124.75	96.92	121.39
Switzerland (56)	80.55	−0.2	62.91	68.67	2.50	80.73	63.21	68.82	86.75	76.22	97.61
United Kingdom (330)	141.18	+0.6	110.25	110.25	4.33	140.37	109.91	109.91	141.18	123.09	130.18
USA (583)	104.38	+0.1	81.51	104.38	3.67	104.32	81.68	104.32	110.51	99.19	117.62
Europe (1014)	110.19	+0.1	86.05	91.27	3.84	110.13	86.23	91.33	110.71	97.01	115.82
Pacific Basin (676)	167.81	−0.6	131.04	132.95	0.71	168.86	132.22	133.59	172.26	130.81	153.68
Euro-Pacific (1690)	144.77	−0.4	113.06	116.39	1.67	145.38	113.83	116.81	147.53	120.36	138.58
North America (709)	105.37	+0.0	82.29	104.72	3.63	105.38	82.51	104.70	111.28	99.78	118.17
Europe Ex. UK (684)	91.00	−0.4	71.06	79.35	3.40	91.39	71.56	79.68	92.81	80.27	106.96
Pacific Ex. Japan (219)	108.56	+0.1	84.78	99.67	4.20	108.41	84.89	99.66	111.82	87.51	118.53
World Ex. US (1890)	143.82	−0.4	112.32	115.89	1.74	144.47	113.12	116.32	146.49	120.26	138.63
World Ex. UK (2143)	127.40	−0.4	99.49	112.12	2.12	127.89	100.13	112.45	130.28	111.77	130.45
World Ex. So. Af. (2413)	128.63	−0.3	100.45	112.17	2.32	128.99	101.00	112.42	130.96	113.26	130.11
World Ex. Japan (2016)	107.44	+0.0	83.90	99.72	3.74	107.44	84.12	99.75	110.99	100.00	118.00
The World Index (2473)	128.61	−0.3	100.44	111.94	2.34	128.99	100.99	112.20	130.92	113.37	130.42

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

SECTION III

FINANCIAL TIMES SURVEY

The prospect of a free market in Europe creates uncertainty; the US property/casualty sector, on the brink of a downturn, faces demands that it share the cost of clearing toxic sites; and Aids is changing mortality patterns. The world is suddenly less serene, observes **Nick Bunker.**

Insurance and Insurance Broking

Step by step to Europe

IT OUGHT to have been a simple story. By the spring of last year, it was clear that 1987 would be the best year the world's leading insurers had seen since the late 1970s, and that 1988 could be better still.

The reality has been more complex. Profits are still rising, but developments in the last year have abruptly jolted insurers and insurance brokers alike out of the mood of calm optimism which pervaded the scene 12 months ago.

Four issues stand out.

□ First, in Europe there is now a very real possibility that 1992 will see the creation of a truly free market in financial services – including insurance – with as yet uncertain consequences for the industry.

□ Second, the vast US property/casualty market has suddenly entered the first stages of a cyclical downturn. It has dented severely the profits of major insurance brokers, and will start to have an impact on underwriters' earnings soon.

□ Third, the prospect that Acquired Immune Deficiency Syndrome (Aids) may radically change patterns of mortality in the developed world has led to vigourous debate within the life assurance industry about ways of assessing, then tackling, the financial implications.

□ Finally, the US property/casualty industry is now facing demands that it should help meet the huge cost of cleaning up the nation's toxic waste sites.

None of these issues was present in so stark a form a year ago, as insurers in the world's major markets basked in steadily improving results.

In the US, property/casualty insurers had enjoyed nearly three years of strong premium growth, fuelled by rising prices. In 1986, the industry's pre-tax profits reached $5.3bn – representing a massive recovery after the huge losses the industry had suffered earlier in the decade. Last year was to be even better, with pre-tax profits reaching about $13.7bn.

In the UK, the picture was similar, and remained so, in spite of October's equity market crash and the hurricane that ravaged Western Europe, causing insured losses of about £1bn in England alone.

What is more, insurers were still reaping benefits from the remarkable growth in life assurance premiums that has characterised Europe in the mid 1980s, against a background of rising equity markets and greater personal wealth. In the UK, for instance, new life business grew by 25 per cent to £12.1bn in 1987 alone.

The unexpectedly swift progress towards a unified financial services market in the European Community has injected new uncertainty into this tranquil picture.

For 20 years, liberalisation of European insurance had been little more than a tantalising dream. Then, last December, the EC's Council of Ministers suddenly agreed on a draft directive providing for free cross-border competition for the insurance of large industrial risks.

There is still a great deal of work to do at EC-level – it will be at least 1989 before the European Commission proposes similar directives freeing up trade in life assurance, or motor and household insurance – but insurers have been put on notice that 1992 is approaching.

It is disturbing then that, so far, very few insurers appear fully committed to the EC as their main market, or ready to react to the challenge of freer but harsher competition which 1992 may bring.

Take Britain's big composite insurers. One or two have sizeable operations on the ground in Europe. Guardian Royal Exchange, for instance, gets about 15 per cent of its £1.4bn annual non-life premiums from West Germany, via Albingia, a Hamburg-based insurer.

Yet for the most part – often with good reason, in view of the heavy regulation which characterises European markets – British insurers have concentrated on building a strong home base in the UK, while their biggest overseas subsidiaries have been located in North America. They have tended to function in Europe, on the other hand, via relatively small, weak branch outposts.

Some observers believe that this kind of corporate structure will need to change radically after 1992. Mr Jason Frangoulis, chairman of the British Insurers' International Committee, has argued that the traditional structure of large companies with extensive home bases and small autonomous offshoots abroad will undergo "drastic realignment".

In a more competitive environment, they will have to build up a strong presence in each member state, equivalent to their organisation at home. Big acquisitions of insurers abroad, Mr Frangoulis points out, are a quick way for insurance companies to re-deploy their resources rapidly to meet this goal.

The proximity of 1992 is already prompting some insurance companies to reappraise their approach to Europe. Last December, American International Group (AIG) – the only truly global US property/casualty insurer – said it was reorganising its continental European operations into a new Paris-based company, UNAT, specifically in response to the impending creation of a genuinely unified Common Market. This was intended to eliminate fragmentation of its operations across national boundaries. It would "enable multinational corporations to deal with a single European company for international insurance coverage," AIG said.

There have also been signs of an acceleration of mergers and acquisitions. Two recent cases stand out.

Last September, Paris-based Compagnie du Midi defeated the New Zealand entrepreneur Sir Ron Brierley in a takeover battle for Equity & Law, the British life assurance company.

The acquisition was part of Midi's avowed aim of building a pan-European insurance group, and reflected a feeling among French insurers that they are too small to stand alone in a tougher world post-1992.

Then, on March 28, Skandia, the biggest Swedish insurer, said it was taking a 20 per cent equity stake in Vesta, the Norwegian insurer. They have struck a deal allowing Skandia to move up to a 50 per cent stake two years from now. This was widely seen as part of Skandia's strategy of strengthening itself in the Nordic region in the run-up to 1992.

It is easy, however, to over-estimate the significance of 1992 and all that it will mean. The hard fact is that, for better or worse, even long after 1992, the notoriously cyclical fortunes of the US property/casualty market will probably remain the single most important factor governing the destiny of the world insurance industry as a whole.

This is partly a function of the sheer size of the US. In 1985, the most recent year for which statistics are available from the Swiss Reinsurance Company, the US, with $186.7bn of insurance premiums, accounted for 54.3 per cent of the non-Communist world's property/casualty market.

It also reflects the complex interdependence between US insurers and many of their European counterparts.

Not only are many major European insurers – including Lloyd's of London, Royal Insurance, Commercial Union, General Accident, Zurich Insurance, and the Winterthur group – heavily involved with the direct underwriting of US risks. US property/casualty companies have also historically been the world's biggest customers for reinsurance, often purchased from Lloyd's, or from the major European reinsurers. It has been estimated for instance that in 1985 AIG – an unusual case, admittedly – was by far the biggest reinsurance buyer in the world, accounting for about 3 per cent of total reinsurance premiums of $40bn.

As a result, then, adverse developments in the US may send tremors through the world's insurance community as a whole. And the past 18 months have yielded many bad omens about the state of the American market.

First, as early as last spring, signs began to appear that US property/casualty insurers were cutting the prices they charge for so-called commercial lines of insurance for business customers.

This was very disturbing, because it appeared to indicate that another crippling price war might be on the way in the US after only two-and-a-half years of premium rate increases. At first, however, the renewed price competition was apparently confined to property risks. But by the end of the year, the evidence was quite clear that the rate-cutting had spilled over into casualty business as well. It has signalled the start of another cyclical downturn in insurance pricing for commercial lines in the US.

Second, in the last six months, industry leaders have begun to speak out in public much more loudly than before about the threat posed to insurers by claims arising from environmental pollution by toxic waste.

The issue has been lurking in the shadows since 1980, when the US passed the so-called Superfund law. It requires the US Environmental Protection Agency (EPA) to clean up sites contaminated by chemical waste, and recover the cost from the pollut-

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CONTENTS

□ Illustration: John Batten

Problems facing London's big brokers must be seen in perspective

Small players may thin out

IT HAS become just a little too easy to be pessimistic about the prospects for London's biggest insurance brokers – Sedgwick, Willis Faber and C.T.Bowring, an arm of New York-based Marsh & McLennan.

On the one hand, the negatives surfaced clearly in annual results announced last month by Willis and Sedgwick, which showed a 19 per cent drop on Willis's pre-tax profits to £60.9m and a 25 per cent fall at Sedgwick, which reported £101m pre-tax.

They also helped account for this year's friendly takeover of Minet Holdings by St Paul Companies, the Minnesota-based insurance group. Mr Ray Pettit, Minet's chairman, said that Minet felt a need for stronger financial underpinning which St Paul could supply.

But the gloom can be overstated, though it has to be acknowledged.

On the debit side, there has been a combination of circumstances which have not occurred together since the early 1980s. The US dollar has been weakening steadily, hurting the brokers because the dollar is the international insurance currency.

At the same time, price-cutting by underwriters in the US has hurt the commission income of Sedgwick especially, via its impact on the group's US subsidiary Fred S.James.

In turn, premium rates have begun to fall sharply in the Lloyd's-led London marine and aviation markets, similarly squeezing commission revenue for brokers.

Mr John Parton, chairman, of the Institute of London Underwriters, which represents insurance companies, has warned that the next couple of years will be "very difficult indeed" for marine and aviation insurers. War stories are rife of major airlines obtaining 50 per cent reductions in their premiums. This tends to baffle outsiders, given that 1987 had the second worst airline accident record in history, with 20 western-built airliners lost, but brokers say it is happening nevertheless.

The rate-cutting has spilled over into some areas of the reinsurance market, too, though the losses caused by last October's hurricane kept premiums for UK property reinsurance from falling during for January 1 renewals, and are likely to lead to increases at the end of this year.

Rate-cutting has spilled over into some areas of the reinsurance market, too

One example of the pressure on pricing is that Alexander Howden, the Lloyd's broker, fought hard in the December/January renewal season and won 58 new marine reinsurance contracts, but had to budget for static income growth from marine reinsurance because of rate reductions.

Second, there have been signs of management strains at big brokers which have used mergers and acquisitions as an engine of growth into the industry's international first division.

Sedgwick, for instance, felt the need last month to call in Mr David Rowland, former deputy chairman of Willis Faber, to become its new chief executive. He left Willis after nine rather troubled months following its merger with Mr Rowland's former company, Stewart Wrightson – which led to extensive staff defections by former Wrightson brokers.

Third, there have been some longer-term concerns about the future role of the big brokers.

The last few years have seen clear signs of exasperation among some big commercial buyers of insurance, in both the US and the UK, about the violent cyclical ups and downs in premium rates which make it hard for buyers to budget for their insurance costs.

If this continues, then big buyers may increasingly turn away from the conventional insurance market and seek alternative ways of managing their risks, and funding necessary provisions against claims.

If this occurs – and the trend towards risk management has already come a long way since the phrase was first coined in the US in 1956 – then it would leave less scope for the broker in his traditional role as a placing agent with the job of seeking simply the best price for his client from a financially secure insurer.

But these problems have to be put in perspective.

■ First, the Lloyd's brokers went through a kind of golden age of profitability from the 1960s to the 1980s. It was driven by factors like the explosive growth of the reinsurance industry from the mid-1960s, and was helped by the brokers' relatively modest requirements for capital investment. Arguably perhaps, it had perhaps had to end one day, because of fiercer competition and tougher attitudes by underwriters towards levels of commission rates; but this does not mean that brokers are in terminal decline.

In the words of Mr Vernon Partridge, head of research at CL-Alexanders Laing & Cruickshank, the securities house: "Insurance brokers will probably never again be as profitable as they were – but that's capitalism."

■ Second, the argument that big buyers of commercial insurance will forsake the traditional insurance market is a much greater threat to underwriters than to brokers, which have the opportunity to move further towards becoming expert risk consultants to service corporate clients.

■ Third, the international broking sector has already slimmed down substantially, via 10 years of mergers and acquisitions, to the point where big-cost savings are achievable, partly driven by information technology.

Willis Faber, for instance, has already £10m of cost-savings in 1988, arising from its merger with Wrightson.

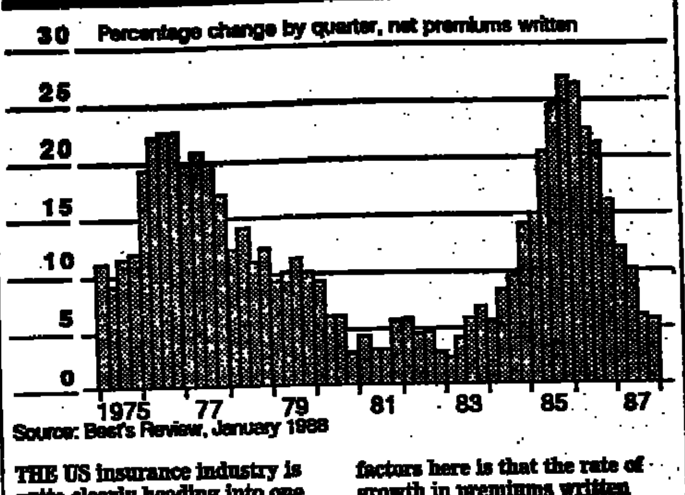
From this point of view, the present problems for London-based brokers could be a salutary shock forcing them to put their houses fully in order.

There is, on the other hand, apparently room for more rationalisation among smaller brokers in London. For instance, PWS Holdings, the Lloyd's broking group recently announced plans to buy Harrington, Austin, the aviation reinsurance intermediary, and Windsor Securities made a string of acquisitions of small Lloyd's brokers in 1987.

Some of the reasons for rationalisation at the smaller end of the sector were pointed out in a recent Business Ratio Report on Insurance Brokers. "On the cost side of the equation, brokers' expenses have risen sharply and in some cases faster than broking income," it said. "The major part of these expenses has been salaries, and some London-based offices have found wages rising alarmingly.

"The number of players in the market is likely to be reduced over the next few years as the pressure on some of the less able, smaller-sized brokers becomes intense.

Nick Bunker



Source: Best's Review, January 1988

THE US insurance industry is quite clearly heading into one of its cyclical down-turns, judging from this graph published by A.M.Best, the New Jersey-based insurance rating agency.

Between mid-1984 and late-1986, premiums grew strongly, driven by big price increases charged to business customers which buy so-called "commercial lines" insurance.

But since early 1987, the rate of premium growth has dwindled away month-by-month, suggesting that insurers were competing more fiercely with each other and either slackening off their price increases or making actual rate reductions.

One of the most disturbing factors here is that the rate of growth in premiums written has now probably fallen below the rate of inflation in claims costs paid by insurers.

This graph is controversial. When it was printed in Best's Review in January 1988, it set alarm bells ringing in stockbroking houses in London, because it appeared to show a repetition of the rate-cutting that had led to terrible losses for US insurers in 1983-5.

The London stock market responded to the graph by marking down the share prices of Royal Insurance and Commercial Union, the two British insurers with the biggest exposure to US commercial lines.

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Broking in Europe

Open market a challenge

MAJOR EUROPEAN insurance brokers are cautiously optimistic about their growth opportunities after European trade barriers break down in 1992.

They hope more business will come in, because corporate clients will be able to place insurance programmes across borders once the freedom of services in non-life insurance is passed.

Also, there could be a growth in brokerage revenue as a result of corporate clients expanding across European territories, they say. The clients will need centralised European insurance programs to cope with the liabilities in each European country.

However, brokers agree that it is too early to tell how widespread the growth in brokerage revenue will be. Corporate insurance buyers may opt to stick to their own national insurance markets, despite the trade barriers breaking down, which would slow down growth in brokerage revenue. Also, some local insurance brokers may find that they are in competition with brokers of other countries for local business.

"We welcome very much the opening of the insurance markets," said Mr Maarten J.F.Hudig, director in charge of international activities for the largest Dutch insurance broker, Hudig-Langeveldt Group, in Rotterdam. "It is a recent development for industry to use independent brokers in Europe, so there are still opportunities for the future.

"You will see more link-ups with corporations merging across borders; and they will need brokers, because they will think about the liabilities and call in a professional broker. It is always a client-driven service."

However, Mr Hudig added: "There will clearly be more choices, but the client may choose his local companies. So, the broker must show him the choices."

"Additional business is dependent on our clients," said Mr Walther Kiep, vice president of Gradmann & Holler KG, in Munich, West Germany. "More companies will invest in European countries than in the past, [such as] in Spain and Portugal. Where they go, we will follow. In that way we will see an expansion of our business."

Mr Kiep added, however: "German enterprises are conservative and some of them will hesitate to insure their risks with foreign insurers."

"There is an opportunity for brokers who are in [European insurance broking] networks," said Mr Vianney Bollier, general manager of France's largest insurance broker, Faugere & Jutheau, in Paris. But he added: "France could be considered a hunting territory for hunting predators, because it is a big market and is not as united as is necessary."

At the moment, the European Parliament is reviewing a draft directive on freedom of services in non-life insurance, which was passed by the European Commission on December 18. As much as 70 to 80 per cent of all premiums currently written in EC member states could be affected by it.

The draft directive allows insurance to one EC state to cover large risks based in another EC state, as long as the insurance buyer meets three criteria:

■ Employs 500 people now, or 250 at the start of 1993;

■ Generates annual revenue of Ecu24m (about £16.5m) or Ecu12.4m (£8.5m); and

■ An annual balance sheet total of Ecu12.4m (£8.5) now or Ecu6.2m (£4.25m) in 1993.

Brokers believe that the directive is so important for their business – because it opens the borders for corporate insurance buyers – that they have been lobbying continuously for the legislation.

At the moment, there are several major insurance broking networks in Europe who are already well placed to take advantage of a united Europe because they have representatives in most, if not all, of the major EC countries. They include Britain's largest insurance broker, Sedgwick Group, and the US's second largest, Alexander & Alexander Services.

In addition, the world's largest broker, Marsh & McLennan Cos, leads a network of European subsidiaries and affiliates which together totals 6,000 employees and annual brokerage revenues of around $400m. The network includes Faugere & Jutheau, in France, which is one third owned by Marsh; Gradmann & Holler, in West Germany, 15 per cent owned by Marsh; and Hudig-Langeveldt, in the Netherlands, 30 per cent owned by Marsh.

Late last year, Marsh decided to reorganise its insurance broking operations globally into three units, partly to take advantage of the changes in Europe after 1992.

"We are seeing the emergence of Europe as a world-class economic unit with substantial muscle," said Mr Philip Wroughton, chairman of Marsh & McLennan Bowring and Lloyd's broking group C.T. Bowring & Co. "In Europe, 1992 offers tremendous opportunities for financial services and insurance broking."

Another leading network of exclusive correspondent brokers well placed for 1992 is the Unison network, a group of mainly privately-owned brokers which altogether employ over 15,000 people worldwide. Unison has an indigenous broker in each of the EC countries, except in Italy where member Johnson & Higgins has six offices.

Although the largest player in Unison is US broker Johnson & Higgins, the second largest broker in the network is Willis Faber, in London; and the third largest broker is Jauch & Hubener, in West Germany. Other members of the network include Boels & Begault, of Belgium; R.Mees & Zoonen Assurantiën, in the Netherlands; Gras Savoye, in France; and Gil y Carvajal, in Spain.

Next month, the Unison members meet in West Germany for their 25th annual meeting, when the main topic of discussion will be 1992, according to Mr Ken Seward, senior vice president and director responsible for international at Johnson & Higgins, in New York. "We will be talking next month about a broad strategic plan as well as specifics" to tackle the new broking opportunities a united Europe had to offer, he said.

Last year the members set up Unison SA in Belgium, in their first joint venture to handle engineering and consultancy projects for the members. Unison SA "could conceivably be a vehicle" for Unison expanding in Europe, Mr Seward noted.

Recently, for example, Unison SA became a 25 per cent shareholder in Unison member Bonnor & Co A/S, in Denmark, Mr Seward said; although he would not say whether Unison SA would become a shareholder in the other Unison members.

At Johnson & Higgins, "we are all very enthusiastic about 1992," said Mr Seward.

Stacy Shapiro
International Editor, Business Insurance magazine

Profile: Allianz

Banking on a quick riposte

SELDOM CAN Allianz, Europe's biggest insurance group, have had to look so many ways at once. Yet its present vigilance does not stem from any major problems in the business, which is doing very nicely at present, nor from the threat of competitors breathing down its neck.

Despite a small deterioration in non-life underwriting, as a result of a rise in large industrial claims, Allianz has forecast that its net earnings this year will be similar to the DM383m of 1986. Moreover, any potential rival would have to push hard to keep up with Allianz's premium growth. Last year's first-time inclusion of DM4.8bn in premiums from Riunione Adriatica di Sicurta (RAS), the second biggest Italian insurance group, in which Allianz gained a majority stake in 1987, helped to increase its total 1987 premiums to DM28.6bn against DM19.2bn in 1986.

In January, moreover, the company laid the cornerstone for what may be a wider international co-operation in the longer term, with its agreement to represent Tokio Marine and Fire Insurance, Japan's biggest general insurer, in Italy. Though small in itself, the deal could be the first step to a network of joint representative arrangements between the two groups in Europe and the Far East.

What then is worrying Allianz? First – and probably least important – is the perennial question of a US acquisition. The company has been on the prowl for a sizeable US insurer so long that the move has almost become industry lore.

But if comments last year by Mr Wolfgang Schieren, Allianz's chief executive, were anything to go by, a US buy may be a little less prominent now, despite the stock market crash and the rise in the value of the Deutsche Mark, which would make any purchase cheaper now. Instead, further expansion in Europe may have gained priority.

At home, the key issue is no less than the future relationship between the country's insurers and banks. Last year's decision by the Aachener und Münchener (A&M), Germany's fifth biggest insurer, to buy a controlling stake in Bank für Gemeinwirtschaft (BfG) from the country's trade union movement may just have been coincidental, but it focused attention on the present fluidity in the financial services industry. Some divisions between banks and insurers have already been eroded, while many of those that remain look shaky.

Above all, there is the strong likelihood that Deutsche Bank, Germany's biggest bank, will soon move further into insurance, either by buying an existing group, or – much more likely – by developing an internal insurance.

Mr Hilmar Kopper, a member of its managing board, recently admitted the subject was being given much thought by the bank's top management, while Mr Alfred Herrhausen, its chief executive, last month gave an eloquent list of reasons underlying the bank's deliberations.

The decision, which would involve life and pensions insurance in particular, has not yet been taken, and will not come in the first half of this year. But if, as seems likely, the bank goes ahead, it would trigger an unprecedented upheaval in German insurance.

For the move would go much farther than the bank's decision in late 1983 to introduce a savings plan linked to a life insurance policy, which resulted in sales of 100,000 policies worth DM3bn – the following year. That step alone triggered suggestions that Allianz might react by developing into banking.

As it happened, the threats eventually amounted to very little, though all insurers have gradually been widening their range of financial services.

Such reticence is less likely this time. There is little doubt that Allianz is thinking hard about banking. On an ascending scale of possible reactions to a fully-fledged move by Deutsche Bank are a swift transfer of its considerable banking business away from the bank – where Mr Schieren is vice chairman of the advisory board – to a full scale banking initiative of its own.

That possibility has excited German pundits greatly of late. All is hypothetical at present –

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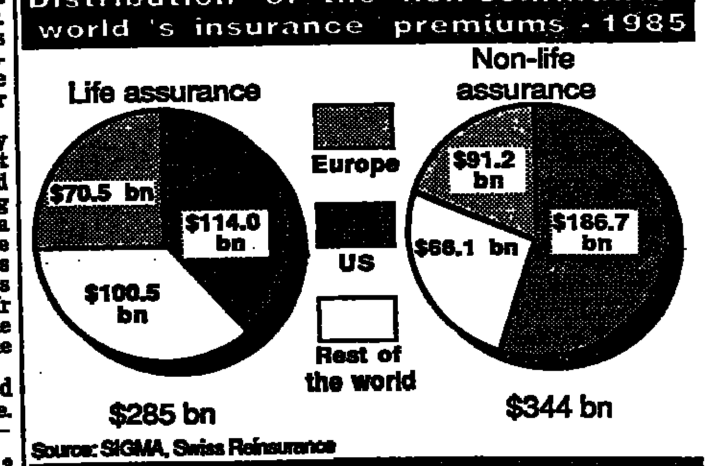
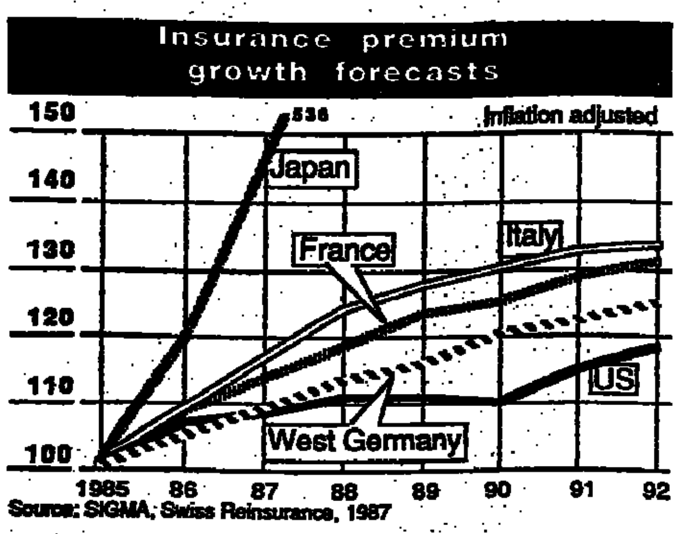
Distribution of the non-communist world's insurance premiums - 1985



Source: SIGMA, Swiss Reinsurance



Source: SIGMA; Swiss Reinsurance, 1987

JAPAN SOARS, US IS SLUGGISH

JAPAN has by far the fastest growing insurance sector in the developed world, according to the Swiss Reinsurance Company. Italy and France come next; while, in the US, insurance premium volumes are expected to show only relatively sluggish expansion in real terms over the next five years.

The main engine of growth in Japan and France is the rapid development of life assurance as a savings medium, while Italy is also showing big increases in non-life insurance business.

Italy – still a relatively under-insured nation, by European standards – is perhaps the most intriguing case.

Life business is expected to grow from representing 15.5 per cent of total premiums in 1985 to a peak of 18 per cent in 1988, then drop back to 16.8 per cent by 1992.

Motor insurance will retain its status as the dominant branch of the Italian insurance industry, though, and will probably account for 48.7 per cent of total business in 1992 (1985: 49.1 per cent.)

The graphs and forecasts come from a recent study by SIGMA, the Swiss Re's research department. NB

In West Germany, the industry is in a state of flux

Deutsche Bank on the brink

OUTSIDERS OFTEN see the West German insurance market as one of the most heavily protected, and almost certainly the most conservative, in Europe.

But a string of recent developments, notably the prospect of the European Community's planned free internal market in services in 1992, means German insurance has entered into a state of flux.

The pressure is not just from Brussels, but domestic too. In particular, the long-established ground-rules between banks and insurers appear to be breaking down. A number of banks are poised to set aside today's co-operative marketing deals, whereby they sell insurance companies' products from their branches on commission, and push into insurance more aggressively.

The Aachener und Münchener, the country's fifth largest insurance group, set the ball rolling last year with its acquisition of a majority stake in Bank für Gemeinwirtschaft. Co-operation between the two has progressed. Similar products offered by both companies have been rationalised in favour of the stronger partner, while staff are being retrained, particularly at the insurer, to market joint products.

But the most important development has yet to come. Deutsche Bank, the country's biggest bank, appears to be on the brink of moving into insurance. Mr Alfred Herrhausen, its speaker (chief executive), emphasised last month that a decision had not yet been taken, and pleaded for the situation to be "un-dramatised." But if an initiative comes, as seems highly likely, it will overturn existing relationships – notably that between Allianz, Europe's biggest insurer, and the bank.

The cosy world of German insurance, with its cross shareholdings and traditional understandings between insurers themselves and with other members of the financial community, looks set for upheaval. What has happened, and what is yet to come?

With 1992 in the background, realignments in holdings between insurers have been particularly prominent.

Foremost is the plan, announced in November, of the country's trade union holding company to sell a majority stake in Volksfürsorge, the sixth largest insurance group, with annual premiums of DM4.3bn, to Deutsche Genossenschaftsbank (DG Bank) – the umbrella for the country's co-operative banking movement. The decision followed the breakdown of talks with Germany's savings banks.

DG Bank and the co-operative movement already own a majority in the R+V's general insurance operation. Together, R+V and Volksfürsorge will give DG Bank control over Germany's second largest insurer after Allianz, with some DM7.5bn in premium income.

With 1992 in the background, realignments in holdings between insurers have been prominent

However, negotiations over the sale are going very slowly, amid suggestions that the trade unions are dragging their feet. Why is unclear. Haggling over the price is one factor. DG is thought to have offered DM1.8bn for 50 per cent plus one share. But there are also hints of concern among the unions about the potential conflict between a sale to DG Bank and their continuing minority stake in BfG.

Realignment was also evident with the sale in July by A&M of its 37.2 per cent stake in Nordstern to Winterthur, Switzerland's second biggest insurer. The deal netted A&M well over DM400m, and completed its strategy of concentrating on insurance through its own operations rather than cross-holdings.

That may be a model for the industry as a whole in time. Meanwhile, Winterthur, which had only one large branch in Germany, has gained a sizeable, if expensive, foothold in Germany.

Further movement came at the end of last year, when Victoria Versicherung increased its stake in Victoria-Gilde, a middle-sized health group, to 74.9 per cent from its previous 49 per cent.

German insurers have been almost as active abroad, again with 1992 no doubt in mind. Most moves have been in re-insurance, however, with Aachener Rückversicherung buying the Groupement Française d'Assurances late last year, and, most important, Münchener Rückversicherung (Munich Re) making a rare foreign purchase with its acquisition of Neue Rueck in Geneva.

There have also been some new developments on the product side. In particular, the public appears increasingly interested in fund-linked life assurance policies. Nürnberg Leben has seen an enormous growth in this field, with its investment holding rising by 164 per cent to DM1.6bn in 1987.

Similarly, the German operation of Equity & Law, the UK group now owned by France's Compagnie du Midi, has just launched its highly enterprising Variable Investment Policy (VIP).

VIP, which is based on three funds – of shares, bonds, or an international mixture – allows the customer to choose between maximum income, capital gain or insurance cover, and to change their wishes during the course of their policies. Such flexibility is common in the UK but almost revolutionary in Germany, and the company is expecting strong demand.

European Community regulatory and accounting developments are also beginning to have an impact in Germany. However, December's ruling allowing companies to insure major risks across national boundaries is expected to have relatively little influence, because there is much captive business in Germany. Major insurers either have sizeable stakes in big industrial groups – encouraging the business to come their way – or are so entrenched that few expect existing relationships to shift.

But what will affect German insurers is the European Commission's Seventh Directive, on consolidation and equity accounting of subsidiaries, which is now gradually being applied; and its Fourth Directive, on the disclosure of holdings and on fair market values, which has been agreed in principle.

The latter, in particular, will affect the Germans in view of their current market practice of valuing equity holdings at their lowest historical levels. That has prompted leading insurers to value their huge stakes in industry and in each other at risible levels.

Moreover, the change will illustrate more clearly than ever the role of German insurance stocks as proxies for the whole market, according to Mr Bob Gullett, of stockbroker Fox-Pitt, Kelton. But it will also focus even greater attention on the poor yield performance of German insurance shares.

Among all this change, even previous unmentionables like the long-rumoured split between Allianz and the Munich Re, which jointly own Allianz Leben, are being given greater credence. The suggestion that Allianz will sell its holding in Victoria Leben in return for Munich Re's ceding its stake in Allianz Leben, and that the two giants will then go their own ways, is nothing new.

But some observers think there is more to it now – not least because of the substantial reinsurance business being done for the Allianz group by Allianz Holding.

Both Allianz and the Munich Re deny the talk. But, even if the realignment were to come about, few would expect them to broadcast it. After all, despite all the talk of change, this is still the discreet world of German insurance.

Haig Simonian

UK non-life insurance

Motors take a direct route

QUIETLY, WITH little attention from the outside world, Britain's private motor insurance industry has become a testing-ground for experimentation on the marketing of non-life insurance.

This is happening against a background of greatly improved trading conditions for motor underwriters, who saw in 1987 their first real recovery in profitability since 1983-4.

"The outlook for 1988 is, to say the least, encouraging," says Mr Steven Bird, insurance analyst with Smith New Court.

There have been several years of premium rate increases – averaging about 19 per cent in 1987 and 18 per cent in 1986 – and Mr Bird expects that, even in 1989, they will average 10 per cent. In addition, there has been either a slackening in the rate of increase of claims frequency, or a genuine decline.

At Eagle Star, for instance, claims frequency dropped marginally from 24 per cent in 1986 to 23.77 per cent last year. "Most insurers' claims frequency for 1987 would be down, if you exclude increases in windscreen claims," says Mr Terry Dennett, Eagle Star's motor manager.

Many insurers are likely this summer to try to deal with the mounting incidence of claims arising from broken glass by introducing compulsory £25 deductibles on windscreen and window damage claims.

For established insurers, though, the arrival in the last few years of a new breed of "direct writers" – companies which sell straight to the public, via media advertising and telephone sales staff, cutting out the middlemen – is complicating this optimistic picture. The best-known examples of the new direct writers are The Royal Bank of Scotland's Croydon-based Direct Line, and The Insurance Service, which was launched in January by Royal Insurance. They are poised to compete vigorously with traditional insurance companies that sell via brokers.

In one sense, of course, direct writing is old hat. Since the first motor insurance polices were written in the early 1900s, motorists have been able to go straight to the insurer to buy cover. "An astonishingly high number still do so," says Mr Bill Sclare, group personal insurances manager for Sun Alliance. Current best estimates are that in spite of the growth of the big intermediaries – primarily the AA and Swinton – only about 50 per cent of the market is brokered.

Furthermore, the composites themselves have launched a range of direct marketing initiatives over the last decade. Sun Alliance, for instance, started doing so in the mid-1970s, using media advertising and direct mail; and its "50+" motorists' package is now well entrenched in the market.

But there are significantly new aspects to the approach adopted by the new direct writers.

Apart from saving money by cutting out brokers' commissions, the Insurance Service, for instance, also aims to keep expenses low by avoiding the costs of maintaining a distribution network of branches and inspectors. These savings will allow it to compete heavily on price with established insurers, according to Mr Richard Hill, its managing director. The objective is to save 80 per cent of eligible motorists at least £10 per annum.

In theory, The Insurance Service's cost savings should be substantial. It canvasses for customers via newspaper and television advertising, and deals with motorists nationwide over the telephone from a single floor of an office block in Bristol. At present it has 80 staff, including 30 so-called "insurance advisers" who man the telephones, and issue quotations via a computer system which automatically rejects unsuitable risks. Mr Hill says the closest comparable computerised direct writing service is at Philadelphia-based Colonial Penn Group, in the US.

One area of additional cost-saving which has emerged is that more than 40 per cent of policyholders pay their premiums by credit card over the telephone, which speeds up cash flow and should enable The Insurance Service to function with a relatively small accounts department.

So far, its executives appear pleased with its success. By late March, after three months in business, they had 5,000 policyholders and had already handled 70 claims.

There are sceptics, nevertheless. First, they think the new direct writers have underestimated the administrative burden they will face from claims handling and from servicing existing policies.

Mr Peter Ablett, the Automobile Association's general insurance marketing manager, points out that in addition to sending out renewal notices AA Insurance Services – the UK's biggest motor broker – finds it is in contact with 75 per cent of its motor policyholders in any one year about claims or routine matters such as changes of address. "Motor insurance is very time-consuming," he says. "There's no easy money to be made. It's all hard graft."

The second point made by sceptics is that direct writers face very big advertising costs. The Insurance Service does not disclose its outlay, but one rival believes that Mr Hill and his colleagues must have spent about £469,500 on television advertising in just the first six weeks of this year.

Neither point is totally conclusive, but the close attention with which leading insurers and brokers are watching both Direct Line and The Insurance Service suggests that they fear that the new direct writers may prove to be an important force. It is hard to say just how important, but even on the evidence available so far they appear to be making steady encroachments at the margin.

Yet the direct writers are not the only factor that could alter the industry's marketing patterns. The other is the impact of information technology, especially in the opportunities it opens up for "networking" connections between brokers and insurers. At the moment, electronic data interchange networking between brokers and underwriters is still in its embryonic stages – via incipient networks such as BROKERNET – but it could prove to be the biggest non-life insurance marketing issue of the next decade.

Nick Bunker

Profile: **Equitable Life**

A venerable niche player

THERE IS no insurance company in the world quite like Britain's Equitable Life. "They've all tried to copy us, but nobody has ever quite got it right," says Mr Sean Kinnis, an assistant general manager of the world's oldest life insurer.

Founded in 1762, in the White Lion Tavern in London's Cornhill, The Equitable Life Assurance Society still cherishes its history. It has a portrait by Gainsborough of its first President, and a parchment with the first use of the word "actuary", the name the Equitable coined as the title for its first chief clerk.

Yet appearances are slightly deceptive. The Equitable, which did new business worth £264.9m last year, is in many ways far younger than it looks. Its sales grew 29 per cent in 1987. It is generally regarded as one of the life offices well-placed to benefit from the advent of the new portable pensions allowed under the 1986 Social Security Act. And its senior executives are eager to see it expand into Europe, probably West Germany, to take advantage of the planned post-1992 free cross-border market in financial service.

In 1988 – a turbulent year for Britain's life insurers, including the introduction of a new system of self-regulation, – the society makes a fascinating study of how a historic financial institution faces up to change. The Equitable has, for instance, already made one painful decision this year: a cut in its reversionary bonus rates, reflecting what its appointed actuary Mr Roy Ranson saw as a necessary on-going strategy of bringing bonus rates more closely into line with the general level of interest rates.

There are two things everybody in life assurance knows about the "Old Equitable", as the venerable mutual is sometimes known. It invented actuarial science, and it has never paid commission to intermediaries. A Mr Jacob Syprut tried to persuade it to pay him a commission in 1765. The society deliberated for a fortnight, then sent him away with a flea in his ear.

But the Equitable stands for other things, too. In the last 15 years, it has turned itself into a classic "niche player", angled heavily towards selling individual pension plans to self-employed people. It has reaped the benefits which come from concentrating on carefully-targeted sections of the market via a tightly-controlled distribution network.

Its vital statistics make the point clearly. Since it pays no commission, it cannot sell via

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Allianz looks to banking

Continued from page 2

and widely denied by the participants. But among the instruments at Allianz's disposal are its roughly 28 per cent in the Munich-based Bayerische Hypotheken- und Wechsel-bank, Germany's sixth biggest bank and one of the country's most profitable and best run.

Probably the jewel in a number of other bank holdings is Allianz's smaller share in Berliner Handels- und Frankfurter Bank (BHF Bank) a highly-regarded institution specialising in investment banking and capital markets.

The two banks are highly complementary. A recent suggestion that they might be induced, perhaps by Allianz, to combine, whether formally or in some loose pact, has been hotly denied. But the fact that such notions are even circulating gives some idea of the sense of change in the air.

Allianz's second challenge is international. The company, like counterparts elsewhere in the European Community, is having to decide on its strategy to face the EC's liberalised market as of 1992.

Much has been written, some wrongly, about the vulnerability of the lucrative German market to penetration by foreign – notably UK – insurers. Germans are highly insured, but pay far too much for their policies due to over-regulation and insufficient competition, the argument runs.

Mr Detlev Bremkamp, managing director of Allianz Europe, the holding company for all the group's European subsidiaries outside Germany, is quick to dismiss many of the standard points. He repeats the domestic claim that opening up the market may endanger consumer protection, as smaller business clients, in particular, will not be able to compare conditions. Thus the cheapest (read foreign) policy may not be best, unless such clients understand the small print.

But there is little doubt that Allianz is still working on its European strategy. Expanding in neighbouring EC markets is the key. The fact that foreign premium income now accounts for 32 per cent of its total premiums shows that much has already been done.

Haig Simonian

The Financial Services Act is about to change the nature of the savings war

Capital and mobility will tip the balance

THERE WILL be two key issues in the development of the UK's personal financial services industry in the next few years. The winners will be those institutions – whether life assurance companies, unit trust groups, banks or building societies – that have access to the greatest capital resources and which develop the most effective channels of distribution for their products.

For several years, the financial services industry has been consolidating under the joint impact of some deregulation and a marked intensification of commercial pressures.

There has been, in fact, a "Savings War" – a phrase which served in 1986 as the title for a study*, by analysts at Banque Paribas Capital Markets, of the growing competition for the British people's savings.

Next week, on April 29, a fresh element enters the equation when the Financial Services Act comes fully into force, creating a new framework of investor protection. Arguably, it will alter radically the terrain on which the savings war is fought out.

Even without the Act, financial institutions whose marketing and distribution systems centre on a tied sales force would be in an extremely strong position. This would include most obviously the unit-linked life offices, such as Allied Dunbar, Abbey Life or TSB Life.

Their ability to send agents into customers' homes at their convenience is of absolutely paramount importance, when compared with "passive" networks of high-street shop premises. Certainly, it will be necessary to improve the calibre of those sales forces, and a number of companies are believed to have been spending considerable resources on this area.

In contrast, there has for some time been room for concern about the future position of independent intermediaries, such as small high-street insurance brokers. Now – superimposed on these seething commercial changes – we have the Financial Services Act.

It is already radically altering the business relationships between the building societies, banks and life assurance companies, principally because, under the Act, all intermediaries must choose either to be fully independent or to become tied representatives of a single institution.

The background to an understanding of its impact on the market is that 1984-5 saw a huge boom in the sale of endowment mortgages, in which repayment of the loan is made out of the proceeds of a life assurance policy. This was followed by a second, even greater boom in 1986-87.

Four years ago, only 20 per cent of new mortgages were on an endowment basis. Now, the figure is 80 per cent – four-fifths of a £35bn market worth £35bn annually.

This has led inevitably to a drastic switch in life companies' new business volumes, away from more traditional life and pensions and towards endowment mortgages. This has focused life companies' attention on the mortgage market as the principal major source of new business, a trend encouraged by the continued expansion in the owner-occupier market as funds have become more readily available.

These developments have encouraged life companies to make arrangements to offer mortgage finance in their own right, either as principals or, more usually, as agents through their own distribution system.

At the same time, the banks and building societies have been keen to work with the life companies in this respect as an additional marketing method. Above all, they have been aggressively promoting endowment mortgages so that they can capture the exploding commission income – all the more important as their traditional margins came under pressure.

Thus, in our view, there has been a spinning circle of activity set up in the mortgage market, which has focused the strategic planning intentions of all the interested parties on securing their distribution systems. The most visible symptom has been a rush into the estate agency field. This was started by Lloyds Bank, but the running has been taken up by the insurance companies in the past two years. The Prudential is currently leading the pack at 800 branches, followed by the Royal at 650.

The jury is still out, however, on the efficacy of estate agencies as a means of selling financial services. It usually comes down to a matter of the competence with which these operations are managed.

In our view, many of these commercial competitive tensions have been greatly aggravated in recent months by the implementation of the Financial Services Act, by the stock market crash of last October, by the deteriorating sovereign risk debt situation for the clearing banks, and most recently by the fiscal changes in the Government's 1988 Budget.

First, the Act is clearly having a dramatic impact on both distribution systems. It is weighting the scales heavily in favour of sales forces or high-street bank and building society branches and against insurance brokers and other independent intermediaries – partly because the latter have to bear heavy costs of compliance. But it is also favouring the major established life offices, by making it more expensive and onerous to set up small new life offices, and more difficult for them to expand.

Indeed, the life assurance business is in danger of ossifying round the major six or eight strong life offices in a few years time – an ironic prospect, in view of the Government's original goal or promoting consumer choice and competition.

Second, the stock market crash has had a great impact on the savings market.

In the past six months, unit trust sales figures have been abysmal compared with buoyant building society receipts. This demonstrates the damage done to the "cult of the equity": consumer confidence in ordinary shares will continue to erode unless the stock markets recover dramatically.

In turn, the 1988 Budget must have reinforced the attention which high-rate tax payers give to high-yielding bonds, and building society and bank deposits, which have previously been eschewed in favour of lightly-taxed capital gains on equities. And this new thinking is likely also to affect unit-linked and other life company savings policies, which were aggressively marketed during the 10-year bull market but will now look too risky to many private investors.

Third, life companies are experiencing growing pressure on bonus rates. These were increased to reflect gilt market returns available when interest rates went through the roof in the early 1980s. Yet, at the same time, life companies were having to find the capital to underpin a huge increase in new business, and to fund diversification into estate agencies and support distribution systems.

All life offices were able to meet these strains so long as the equity market continued to boom and to provide the massive capital appreciation shown in 1984-86 in particular. But the equity market collapse last October has removed that cushion and brought severe strains to many life companies, only some of which have surfaced to date in the form of bonus reductions.

Meanwhile, in our view, the sovereign risk debt crisis has deteriorated in recent months, eroding many banks' reserves, while the stock market crash has made it far more difficult and expensive to raise new equity capital.

At the same time, we believe the increased interest of building societies in becoming quoted companies reflects the scale of capital pressures to which they are subject, as, like the banks, they embark on major computerisation and branch refurbishment programmes, and diversification.

In conclusion, capital pressures have intensified for all the players, and have been aggravated by the stock market collapse; and in our view the success of the various distribution systems – whether direct sales forces, estate agencies or networks of independent intermediaries – will depend crucially on how they are managed.

But there is room for anxiety in any case at the way banks, insurance companies and building societies are concentrating so heavily on personal financial services. For they are doing so at a point when the perpetuation of the UK's economic boom in general – and the consumer boom in particular – must increasingly be in doubt against a background of international recession, and the overheating of the economy in the UK.

John Ginarlis

Financial Services Analyst, Banque Paribas Capital Markets

**The Savings War, by John Ginarlis: published in April 1988 in a single revised volume with a new introduction, by Kluwer Financial Publications/ Banque Paribas CM.*

Lloyd's is 300: **Nick Bunker** offers his personal diagnosis of current problems

Time to reduce exposure to the US

"The long nightmare is over" – Mr Peter Miller, former chairman of Lloyd's, speaking last year about the PCW Affair

"There'll always be an England. Will there always be a Lloyd's?" – Mr Miller again, at the first Lloyd's 2000 conference, May 28 1987.

A SEA-CHANGE occurred in the affairs of Lloyd's in 1987, but its implications are only gradually becoming clear to the outside world.

Lloyd's has emerged in the past 12 months from five years of crisis management. During those years, the market's authorities were preoccupied with two tasks. They had to clear up the mess left by the Alexander Howden and PCW scandals, in which many millions of pounds were stolen from ordinary members of the Lloyd's market. And they had to put in place the new regulatory system outlined in the 1982 Lloyd's Act.

Now – as Lloyd's celebrates its tercentenary – other questions have been coming to the fore. The long nightmare of PCW may, indeed, be over. Lloyd's has also moved fast in implementing the 70 recommendations for further regulatory reform contained in last January's Neill report.

But, as Mr Miller's words suggest, some hard thinking lies ahead if Lloyd's is to ensure that it enjoys a healthy commercial future in the 21st century.

Three problems stand out, and they are closely interconnected.

First, there continues to be ample evidence of the dangers to Lloyd's in over-reliance on the North American non-marine market as a source of business (the US accounted for about 55 per cent of the Lloyd's estimated £2.9bn in premiums in 1985).

Such heavy involvement with the US means that Lloyd's, to a large extent, pins its fortunes on a market whose average underwriting profitability appears to be locked into a gradual long-term decline.

The reasons for the US industry's problems are complex. They stem from factors such as chronic excesses of capacity, which cause undisciplined price competition. There is also an uncertain legal environment, characterised by a trend towards rapid inflation in damages awards which have to be met by insurers, and a tendency among some state regulators to treat property/casualty insurance as a surrogate social security system.

The danger to Lloyd's of being too heavily dependent on this volatile market was graphically illustrated by developments in 1987-8.

There has been an acceleration in the past nine months of claims notified to Lloyd's syndicates arising from clean-ups of environmental pollution damage in the US. Estimates vary of the total insurance claims that may arise, though Mr DeRoy Thomas, chairman of the Hartford Insurance Group, points out that if 2,500 toxic waste sites have to be cleaned up for $50m each, then the total bill will be $125bn.

This issue is very vexed. Insurers are refusing to acknowledge any liability, and so far the trend of legal decisions has run in their favour. But the cost just of litigation, and the resulting drain on underwriters' and brokers' management time, could be major problems in any event.

A further worrying development – because it demonstrates the hostile political environment for insurers in the US – came in March. Eight states, including California, launched a huge anti-trust suit against four major US primary insurers and a range of Lloyd's underwriting agencies and leading underwriters. The suit alleges that they engineered the creation of the 1985-6 US liability insurance crisis, when premiums sky-rocketed and the supply of liability insurance largely dried up.

The need to diversify, in order to reduce the Lloyd's market's exposure to the US – and the relatively stagnant marine insurance business – has been recognised in Lime Street. Mr Murray Lawrence, who took over from Mr Miller in the chair in January, has spoken of the need to expand in Europe post-1992 and try to win more "mass market" business such as household or small-scale commercial insurance.

But this runs up against the second major problem at Lloyd's – the relatively cumbersome paper-based back-office systems which slow down payment of claims and processing of policies, and limit its powers to compete for mass-market risks. This may have been a key reason why, since the 1960s, Lloyd's has steadily lost its share of the UK commercial fire market.

It helps explain the efforts to develop the London Insurance Market Network, an IBM-supplied electronic data interchange system intended to accelerate communication between the 500 Lloyd's brokers and underwriting agents and London's insurance company market.

More than 50 Lloyd's agents and brokers are now either using the network or have signed letters of intent to join. If they all become users, then 80 per cent of transactions passing through the market's back office – the Lloyd's Policy Signing Office – could be on the network in 1989.

But there is a third problem, raised this spring in protests by underwriters, including Mr Stephen Merrett, about proposals for new regulations governing Lloyd's brokers.

On the one hand, there has been a process of creeping deregulation, in which Lloyd's has gradually abandoned its veto on insurance companies owning Lloyd's brokers. This process culminated in February when Lloyd's gave the go-ahead for the St Paul Companies to acquire Minet Holdings. On the other, there is still a strict rule against Lloyd's underwriters, other than motor syndicates, dealing direct with sources of business other than Lloyd's brokers.

There have been attempts to find ways of closing the gap that this can introduce between underwriters and the outside world – such as Mr Merrett's establishment this year of a new Birmingham-based syndicate, non-marine 1104, to seek small to medium-sized commercial fire risks. But it seems reasonable to expect that, as underwriters urgently seek to venture back into the mass market, or into Europe, there will be further pressure to ease the rules still more.

Aids

A pointer from Zurich

FOR DECADES life assurance actuaries and underwriters on both sides of the Atlantic have operated under conditions of improving mortality.

In the UK, in particular, more and more attention has been paid to the savings element, with underwriting becoming progressively less significant.

Then came Aids (Acquired Immune Deficiency Syndrome), to shake the US life assurance industry with a spate of death claims within a short space of time and with the potential for claims to soar.

Research by both US and UK actuaries into the potential numbers of Aids deaths over the next decade shows some frightening figures: a cumulative 1.6m in the US by the year 2000 if infection continues at the present rate, and as many as 60,000 in 1998 in the UK.

Life companies can do nothing about Aids claims from their existing portfolios but meet the cost out of their reserves. But measures are now being taken to deal with new applications for life assurance.

Since the progress of the disease in the US is further advanced than in the UK, the UK life companies were given early warning by the US experience and could take appropriate measures. These fall into three categories: premium rating, underwriting and claim handling.

It has long been accepted that life companies cannot eliminate a particular mortality risk by underwriting, and this is certainly so with Aids. The mortality rates will be higher, though the projections made by the Aids working party of the Institute of Actuaries are based on some very tentative assumptions.

Nevertheless, premium rates, particularly for protection contracts, need to be increased to cover this higher mortality.

To date, UK life company actuaries have been reluctant to increase their rates, the general attitude being that "rates need to go up, but my company is not going to be the first to do this".

Now that Zurich Life Assurance has been the first life company to take action, announcing last week that it was as much as doubling its term rates for men, other life companies are certain to take similar action over the next few weeks.

Aids has seen the life underwriter returning to his previous pre-eminent position, though UK life underwriters are finding the situation rather uncomfortable.

The embarrassing nature of Aids puts underwriters in a delicate position. To underwrite adequately, they need to ask questions about a person's life style without, in many cases, being able to check the validity of replies without a detailed medical examination.

The position is not helped by the attitude taken by the British Medical Association regarding life companies seeking medical information from applicants.

In most cases underwriters will require HIV blood tests in order to decide whether or not to accept the risk. The Association of British Insurers has recommended automatic blood tests on all males for sums assured of £150,000. Automatic blood-testing at most lower levels of cover is now standard practice in the US and most European countries. But the BMA insists that any blood-testing must be accompanied by medical counselling – a requirement that is time-consuming and increases the cost of the test.

Finally, life companies are seeking to limit the amount of death risk they carry, passing on as much as possible to the life reassurers. Not surprisingly, it is the reassurers that are taking the lead in tightening up underwriting procedures.

Then there are indications that life companies are being much tougher over payment of early death claims. Whereas, previously, death claims within two years of a policy's being taken out would be paid with little investigation, claim managers are now prepared to seek further information if there appear to be doubts about the validity of answers to questions on the proposal form, and to repudiate a claim if they are satisfied that there was non-disclosure on an Aids-related death.

So far, in the UK, the number of Aids-related death claims experienced by life companies has been small – well within the limits that actuaries would expect. Nevertheless, the regulatory authorities, concerned about the effect of future potential death claims on the solvency of life companies, expect life company actuaries to start reviewing the situation now.

The Government Actuary's Department, as actuarial adviser to the Department of Trade and Industry, has informed life company actuaries that it expects them to make a specific reserve against future Aids deaths in their 1987 valuations.

Those life companies that have reported on their 1987 results show that actuaries are taking a rather relaxed view, using the least pessimistic mortality assumption made by the Institute's working party.

Generally, the reserves being set up amount to around 1 per cent of liabilities on average, and are covered several times over by the investment reserves being carried by companies. Certainly there is no impact yet on bonus rates. Nor have actuaries in the unit-linked companies deemed it necessary to increase the mortality charges.

The impression is that UK actuaries are waiting to see how the situation develops this year.

Eric Short

A venerable niche player

Continued from page 3

full-time professional intermediaries, so it uses a 279-strong force of representatives. They are remarkably effective. In 1987, they sold new business worth £264.9m in premiums, or £949,000 per head. Some 3,750 self-employed salesmen represent Allied Dunbar, the most successful unit-linked life company, but they produced only an average of £213,870 each.

The Equitable's high productivity is matched by its low expenses. In 1985-6, its entire sales and administrative costs swallowed up only an average of 9.02 per cent of premiums. By contrast, at Standard Life, the UK's biggest mutual, the expense ratio including brokers' commissions averaged 15.5 per cent.

In effect, the Equitable has produced probably the UK's most efficient system for marketing life assurance.

It was not always quite like that. Until the 1950s, the Equitable was small, and narrowly centred on London, renowned for its leadership by brilliant mathematicians like Sir William Elderton, but hardly a sales-oriented organisation.

There were to be two turning points in the Equitable's recent history. The first, says Mr Barry Sherlock, its current general manager, was in the mid-1950s, under one of his predecessors, Mr Maurice Ogborn.

"Maurice Ogborn saw the possibility of developing self-employed pensions, because the self-employed have special needs," Mr Sherlock says. The Equitable sold its first self-employed with-profits policy in 1957.

The second big change came out of something of a crisis. In the early 1970s, more than half the Equitable's new business came from its sales of pensions policies to university teachers, under the so-called "FSSU" scheme. Then, in March 1975, the universities decided to start their own self-administered scheme, and the Equitable was faced with the possibility of a sudden, dangerous drop in sales. "It was an exciting time," recalls Mr Sherlock.

The answer was found by Mr Ken Wills, who joined the Equitable in 1973 as marketing manager, and reshaped radically the society's sales force. "He was the catalyst for recreating the society as a vigorous sales organisation," says Mr Kinnis.

The Equitable is best understood by looking again at the low expense ratio. The key to its low expenses is two-fold. The society's refusal to pay commissions is one reason, but the other secret is that it targets affluent, professional people as customers.

As a result, the average new business premium per head – £3750 in 1987 – is relatively high, meaning that unit costs are correspondingly low.

To achieve this, Mr Wills had to create a stable sales force, with a strong *esprit de corps*, capable of communicating with professional people.

One intriguing measure of its success is that in 1987 it lost only 6 per cent of its representatives. A typical direct-selling British life office would probably lose about 30 per cent each year.

Maintaining the quality of the Equitable's sales force has required a high level of discipline. "Our recruiting is controlled, because to get the right people is not easy," says Mr Kinnis. "We aim for a growth of only 5 per cent per annum."

Most of the recruits apply to join after reading advertisements by the Equitable in The Daily Telegraph's jobs columns, but they are carefully selected. On one recent induction course, half of them were university graduates.

The Equitable instils its own philosophy into the new recruits via a highly-structured training programme. This extending over 12 months but includes periods of closely-supervised work in the field. "They have to come out with two hats," says Mr Kinnis. "They have to be salesmen, and advisers on technicalities of tax and pensions legislation. After all, they are dealing with substantial policyholders, such as accountants."

The sales force, however, is only half the story. To maintain its reputation, the Equitable believes it must ensure that its representatives never sell their customers a contract unsuitable to their individual needs. "That means we have to have a very big product range," says Mr Sherlock. In fact, the Equitable now has 70.

Product design requires a blend of actuarial and marketing skills: it is not surprising then that the Equitable is perhaps more heavily dominated by actuaries than any other life company. Mr Kinnis is the only one of the society's six most senior executives who is not an actuary.

The Equitable has not stood still in the last few years. In 1985-6, it subjected itself to a detailed study by McKinsey, the management consultants. This produced, for instance, a new set of planning goals, including a target of more than doubling new business from £137m in 1985 to £300m in 1991. The "Old Equitable" is already nearly there.

Nick Bunker

FT Insurance Information Group to expand its service

THE FINANCIAL Times Insurance Information Group plans an autumn expansion, to provide a unique and comprehensive service tailored to the individual needs of readers.

Based around the proven success of the World Insurance Report (WIR) newsletter, now in its 14th year, a series of new publications will expand and refine the general news and company information reports which form the core of the WIR service.

From September, readers will also be able to consult WORLD POLICY GUIDE, a monthly analysis of insurance policies available in London and around the world. It will analyse and compare new policies and products developed from and available in London, selecting a different sector of the market in each issue. This will be augmented by a unique listing of insurance products available by the issue date anywhere in the world.

Also available from September will be a free-standing and expanded version of the World Loss Log feature of World Insurance Report, long regarded as an essential reference tool for those concerned with claims and catastrophes.

This newsletter, as well as offering a much expanded and categorised catastrophe reference list, will feature reports on implications within the insurance industry, and for the wider industrial and financial world, of current claims and catastrophes, legislation, litigation and product and risk control developments world wide.

□ *Details of how to subscribe to Financial Times Insurance Group publications are available from Danielle Banks on (01) 240-9391*

Towards Europe

Continued from page 1

ers – meaning US manufacturing industry. Insurers soon realised that US manufacturers would try to make them pick up the tab.

The insurance industry's fears have grown much stronger lately, in spite of the fact that recent legal decisions have been running in its favour.

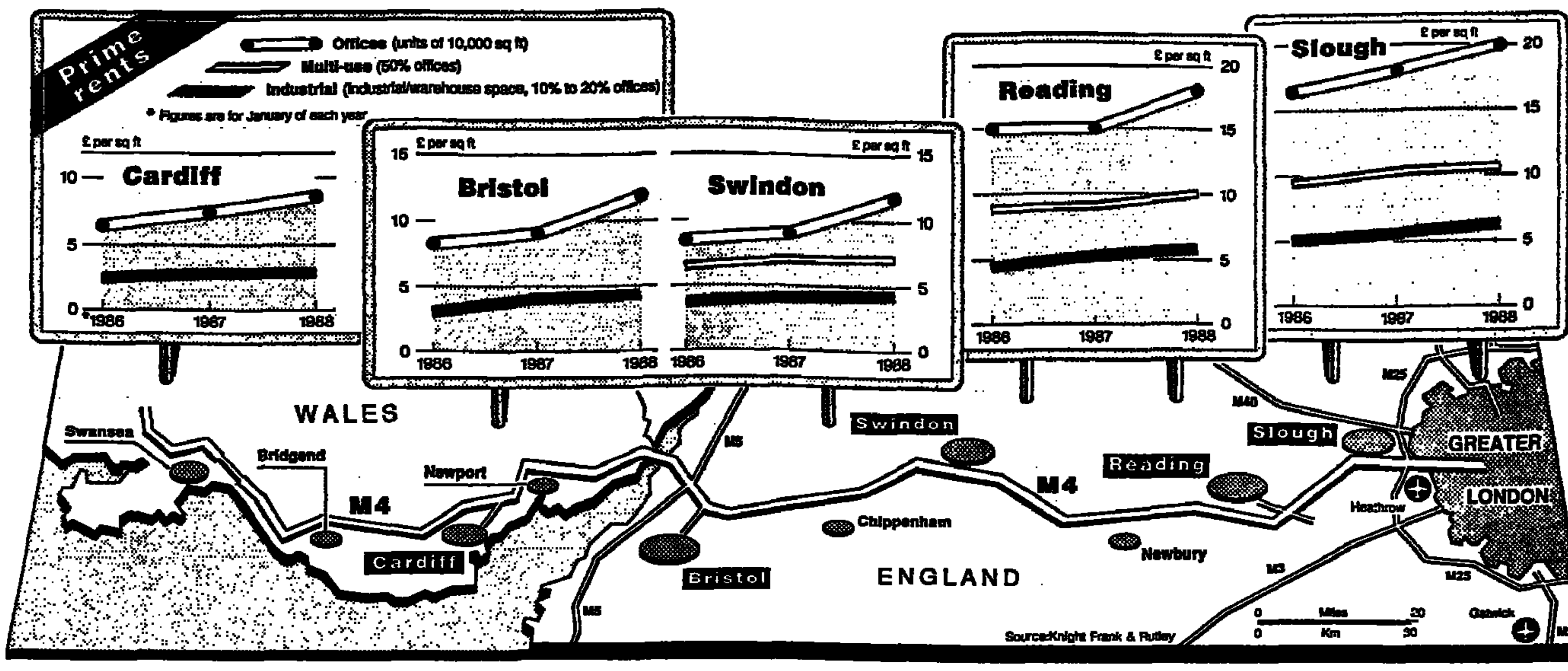
In the first place, the EPA's clean-up efforts have gathered pace in the 18 months since the Superfund programme was renewed by Congress in 1986. And the second half of 1987 saw an acceleration in the rate at which policyholders were filing legal complaints demanding indemnification for toxic waste clean-up costs. In particular, both Westinghouse Electric and United Technologies Corporation started huge lawsuits against their insurers.

Possibly for years to come, the problem will remain clouded by legal uncertainty. But, says Mr Maurice Greenberg, AIG's chairman, pollution liability is now "probably the largest issue the industry will confront over the next decade."

SECTION IV

FINANCIAL TIMES SURVEY

Development has been driven further and further outwards from London, and economic activity is strong in south Wales, Bristol, Swindon, Reading and Slough. But the very health of the market has produced its own problems, reports property correspondent, **Paul Cheeseright**



Property along the M4

Fast lane development

IT IS HIGH summer for the property market along the M4 corridor. The stock market crash of last October has been and gone and the market scarcely blinked.

Impervious to the sensitivities of the central London market, the M4 corridor has drawn its strength rather from the growth of the national economy.

The drive of development has moved further and further outwards from London. The revival of economic activity in southern Wales, the buoyancy of Bristol and its consolidation as a major regional centre, the expansion of Swindon, the growing interest in Reading, the dynamism of the Thames Valley economy, the demand for space in Slough and around Heathrow — all have contributed to the pattern of momentum.

But the very health of the market has produced its own problems. First, the pressure for development clashes with the underlying attractions of having the development there in the first place.

Second, the economic factors behind the market are equally applicable to other areas, to other motorway corridors, so that the locational choice available to companies is widening.

Consistently development has thrust out of west London. The agreeable nature of the countryside, the motorway itself, the access to Heathrow Airport, the speedy rail links to London, plus the fact that Berkshire had been singled out by the Government in its planning policy as an area of expansion, fanned the growing activity down the corridor.

At the same time, tight planning policy in most of the town centres adjacent to the corridor tended to push expansion outwards from existing communities. As the economic growth continued, so the demand for housing increased.

The stage has now been reached along the eastern reaches of the corridor where there is resistance to further development. This has reached its most acute form in the dispute about housing provisions for Berkshire — a dispute which cuts into the whole question of economic development because a shortage of affordable housing acts as a deterrent to, say, the construction of new business parks.

While the Government no longer sees Berkshire as an area of expansion, it does not at the same time want to retard development. The local authorities and environmental groups such as the Council for the Protection of Rural England take a less ambivalent view.

They argue that enough is enough, that housing additional to that already envisaged in structure plans will destroy the county.

The implication of this is that the property holders already on the ground with projects developed or with planning permission, are in a stronger financial position than likely newcomers to the area. Rarity value would tend to push up rents, both accentuating the rising trend which is characteristic of the market and justifying the higher land prices.

The flaw in this reasoning is that prospective tenants do not have to go to Berkshire. While it is true that some of the company movements in, for example, the Thames Valley, are consolidations and that the area has its own internal economy independent of London, it is not a mammoth inconvenience to move a little further westwards in the knowledge that accommodation costs are likely to reduce anyway.

Once away from the Reading area, the problems of the Green Belt and Areas of Outstanding Natural Beauty diminish. Hence the major housing developments, for example, outside Swindon and at Bradley Stoke outside Bristol.

Hence the rapid expansion of business parks in the Swindon area and around Bristol; and the interest in sites on the Welsh side of the Severn Bridge, where there is the extra inducement of aid from the Welsh Development Agency.

Many of the developments to the west are taking place outside the towns, notwithstanding Tarmac's plans for the redevelopment of the old railway engineering works in Swindon or the Norwich Union shopping plans in the same town or those of Ladbroke in Bristol.

The difficulty in Bristol is that until developments such as those at Cannons Marsh for Lloyds Bank are complete, there is simply not enough space, given the speed at which the economy is growing.

The general point though is that the growing congestion at the London end of the motorway is pushing development westwards. There is, indeed, the merging of two ripple effects: London is pressing outwards and the towns down the corridor are pressing outwards too.

This raises the question of locational choice for companies either already outside or wishing to be outside the London area, the main concentration of economic activity in the South East. This is not simply a question of moving further westwards; it is also a question of choosing another corridor or a different focus of growth.

The expansion of the motorway network generally and the linking of the motorways emanating from London by the M25 orbital have changed the competitive position of the M4.

The economic growth which has stimulated development along the M4 has also been an impetus for development along the M3, through Surrey, leading to the M27 in Hampshire, on the M40 to Oxford, on the M1 to the north, on the M11 to Cambridge and on the M2 and M25 to the Kent coast.

At the same time, the start on construction of the Channel Tunnel has drawn attention to east Kent, while the rehabilitation of London Docklands has begun to create a new focus of development.

Many of the pressures which have been present on the M3-M27 have been precisely the same as those on the M4. But the ability to find accommodation on the other motorway corridors, generally at lower prices than those of the M4 without any marked loss of facilities, has started to redress the balance of attraction between the west on the one hand and the north, east and south-east sides of London on the other.

This would suggest that if current trends continue, the dominance of the M4 corridor as a favoured South East location for companies could start to wane. This would become apparent in any economic downturn. Hitherto the speed of growth has been quick enough to allow the expansion of property development to be absorbed without much difficulty.

Such perspectives are for the longer term. The immediate trend is for a continued strong market probably primed by the greater availability of institutional finance. Much of the expansion down the corridor so far has been led by property companies.

The financial institutions have tended to be London-centred in their investments and when they have moved out of the area to have been more comfortable in the South East. This has meant that some of their funding and development has gone down the M4 corridor. More might now be expected.

The October stock market crash came when the institutions were tending to re-appraise the property market as returns increased. The latest figures have suggested that the insurance companies and pension funds have begun to return to the market.

The M4 corridor is a natural place for them to look for new investments: It has sustained demand, high-quality covenants, pressure for growth and the scope to upgrade property.

The most emphatic single impetus to upgrading has come from the change in the Use Classes Order which stripped away the difference between light industrial, research and development and office use to create one single business class.

This is permitting a shift away from industrial to office and mixed use properties which should increase values, notably, for example, in Slough and in parks where activity has been a mixture of industrial and research and development.

This is not only a fillip to the owners but is also a comfort to the institutions in their desire for secure investment.

It means there is greater ability to switch appeal from one sort of tenant to another, depending on the way the market is moving. It means that the parks created largely for high technology companies — and the M4, after all, has seen a proliferation of such parks — can also be marketed to straight office users.

By widening the uses of existing and new property, there is a larger element of safety for the institutional investment.

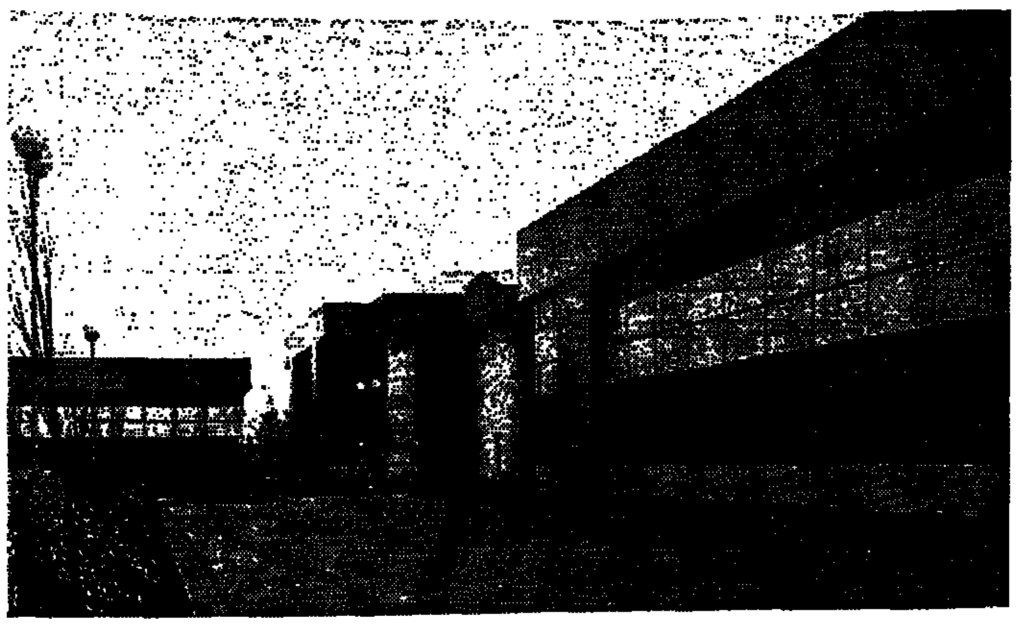
While the institutions have in the past sometimes been chary of industrial, office and business park investments, they appear to have had few qualms about the retail sector. The M4 corridor, one of the most prosperous in the country, has been a natural target for their funding.

The difficulty with the retail sector now is not so much the funding for it, nor even the level of trading, but the clash which has been developing, most obviously around the M4-M25 connection and in the Bristol area, about the construction of major new complexes outside the traditional urban centres.

Planners in this corridor of prosperity have just the same trouble in coming to terms with threats to the established shopping fabric as they do in Manchester or East London.

To some extent this is the ripple effect, which has affected other forms of commercial property, in play all over again. As the urban areas themselves have expanded, so the retail developers have sought to go with them.

The issue has become the more complicated by the existence of the Green Belt, a factor which has caused great dispute about the shopping proposals at the London end of the M4. And this brings the M4 property issue back full circle to the basic question of how to reconcile development with the environment.



Top: Slough Estates' Winnersh Triangle. Bottom: the Cherry Orchard West building on Sun Alliance's Kembrey Park business centre in Swindon

Business parks

High tech flourishes in the open spaces

BUSINESS PARKS are now firmly entrenched in the lexicon of the British property industry and, if there is one area which more than any other was responsible for putting them there, it is the M4 corridor.

This is not wholly surprising. The corridor itself had already become an established area for high technology companies, especially in the Thames Valley, and the concept of business parks, imported from the US, was first associated with just such companies.

What has happened in recent years, however, is not only an expansion of the use of what have been known as high tech buildings, but also a broadening of the area in which they are situated.

Where high tech buildings - generally low rise and situated in a landscaped setting with plenty of car parking - are grouped together, they have become known as business parks.

Now they stretch down the M4 corridor from Heathrow Airport to Wales. This, of course, partly reflects the general growth in economic activity exemplified by the presence of Japanese companies in parks at both ends of the corridor, both near Heathrow and close to Cardiff.

In between, development and letting activity, running along the motorway past Reading, Newbury, Swindon and Bristol, has been strong as companies have seized on the availability of premises and the relative ease of communications.

It is a moot point whether the speed of development is running ahead of demand, but as a symptom of the present situation, Campbell Gordon, the Reading chartered surveyors, recently reported that in the Thames Valley, demand for office and industrial space that is high tech and general commercial space, rose nearly 20 per cent last year to 8.4m sq ft.

This brings demand back near the record levels of 1984. At the same time, though, the success of companies in finding the sort of space they needed also improved. Business parks fit into this broader pattern of search and supply.

For developers and landowners, business parks have become more versatile because of the changes last year in the Use Classes Order and the creation of a B1 class, which eliminates the difference between industrial and office use and creates a general business category.

If demand flattens out for high tech industrial space, then there is the possibility of compensating by the offering of premises purely for office use. This opens up new markets, because it means that business parks owners can seek to lure town centre office users, stressing the merits of low-density parks and an end to urban hassle.

It also allows companies the chance to consolidate premises and this is a factor both for those which might become refugees from London and from those already active in the area, but with fragmented accommodation. As an example, Digital Equipment's decision to move into Slough Estates' Winnersh Triangle and Speyhawk's Thames Valley Park, both near Reading, and into Arlington Securities' Newbury Park, is in part a move of consolidation.

The size of some of the parks, both planned and under development, also permits companies to expand. Lack of space in town led National Mutual Employers' Mutual General Insurance to commit itself to Coate Water Park, the joint venture proposed by Gablecross Properties and Abbcott Properties outside Swindon. Availability of space induced Galileo Distribution Systems, the airlines reservation and information systems consortium, to go to St Martins Property's Windmill Park in Swindon.

Galileo agreed terms for 240,000sq ft of space, spread over 5.5 acres in what was thought last November to be the biggest high tech property transaction down the M4 corridor.

Transactions like those in which Galileo and Digital have been involved inevitably give a fillip to the market. But developers in any case have been enthusiastic in their purchase of landholdings for new parks and of existing parks where there is the possibility of upgrading and expansion.

Hence, for example, the purchase by Arlington Securities for £33m of the existing Aztec West park near Bristol from Electricity Supply Nominees and the acquisition of 31 acres by Trafalgar House Business Parks from IBM at Wootton Basnett.

Reading has been a favoured area with parks planned or under development not only by Slough Estates and Speyhawk, but also by companies such as Arlington, Prudential Portfolio Managers, Sheraton Securities, ARC Properties and a consortium of Hanson and Elders IXL.

The search for sites has meant that developers have been prepared to nurse planning applications through cautious local authorities and to attempt the difficult trade-off of rehabilitating Green Belt land for a chance to develop commercially. Such an approach has recently been successfully completed by Rutland Group and RMC for land adjacent to Heathrow Airport.

However, future purchases, especially in the corridor nearest London, may be constrained both by the rise in land prices, which will have to be seen against the likely take-up of space, and by planning restraints. Developers are likely to find Berkshire a particularly difficult area: environmental concern and commercial development have clashed head on.

The chase for tenants is becoming increasingly competitive, but there seems to be little difficulty in attracting funding for well-situated parks and the buildings within them. Business parks, indeed, could become increasingly attractive to institutions at a time when they have been showing more interest in property investment — an interest enhanced by last October's stock market crash.

This March, for example, Shell Pensions Trust paid £20m for its second building at Waterside Park, the Bracknell project of London and Edinburgh Trust and Tarmac Properties.

Paul Cheeseright

David Lawson on offices in the town centres

The tenant has become king

THE MONEYMEN are back to reclaim the rich property markets in the towns strung like beads along the motorway joining London and Wales. Investors and fund managers are rediscovering areas they had abandoned.

They could have come back sooner: demand has been steadily rising over the last few years, drying up the pools of empty space and pushing up rents. But provincial office property was not attractive enough to outshine a soaring stock market nor close enough to match the much more accessible London boom areas.

The shock of the stock market crash helped change a few minds. Extortionate London prices widened boundaries a little further. But the crucial factor has been the surge in rent levels in most of the main town centres as the last vestiges of top-class office space disappeared.

"The ones who stayed in the market, who went west when everyone else went east, are reaping the benefit," says Mr Michael Dow of agents Jones Lang Wootton.

And they have learned the one difference in today's boom – the tenant is now king. Shortages may be pushing up rewards, but tenants will still demand parking, good designs and good service before paying up. Every good building receives two or three bids: the bad ones struggle to let.

Of the main centres, Bristol has been a classic example of boom and slump over the years. In 1986 it was struggling to fill almost 750,000sq ft of prime central space at rents of £7.50 a sq ft, according to St John Hartnell of agents Hartnell Taylor Cook. By the beginning of 1988 that had shrunk to just over 400,000sq ft and rents had hit £12.

The prospect of rents touching double the 1986 level when the last space goes this year has attracted investors in droves.

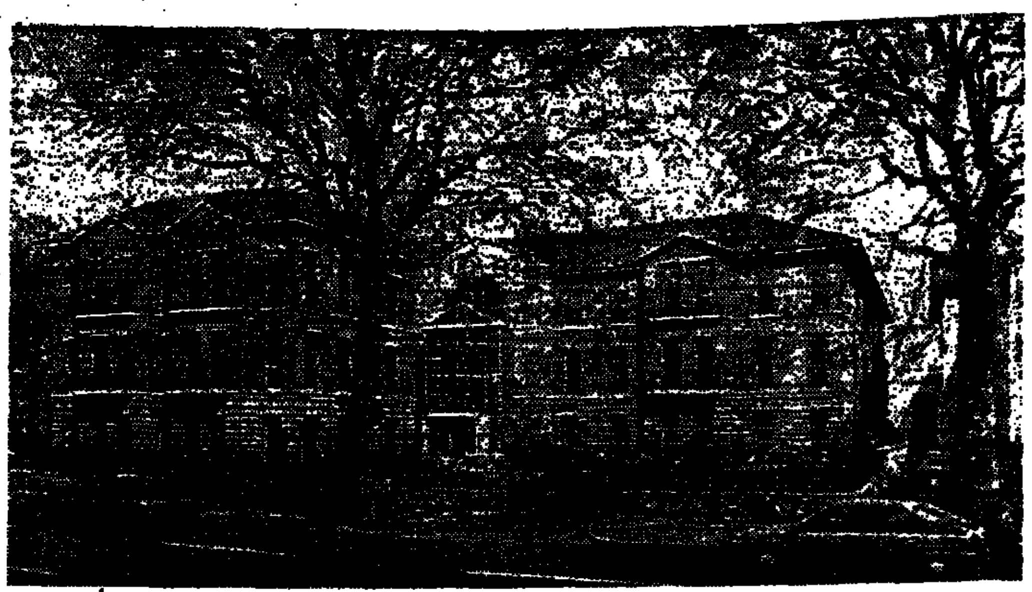
Some developers have been here all the way through, but having to scrape around to find bank loans slowed down output, according to Mr Dow.

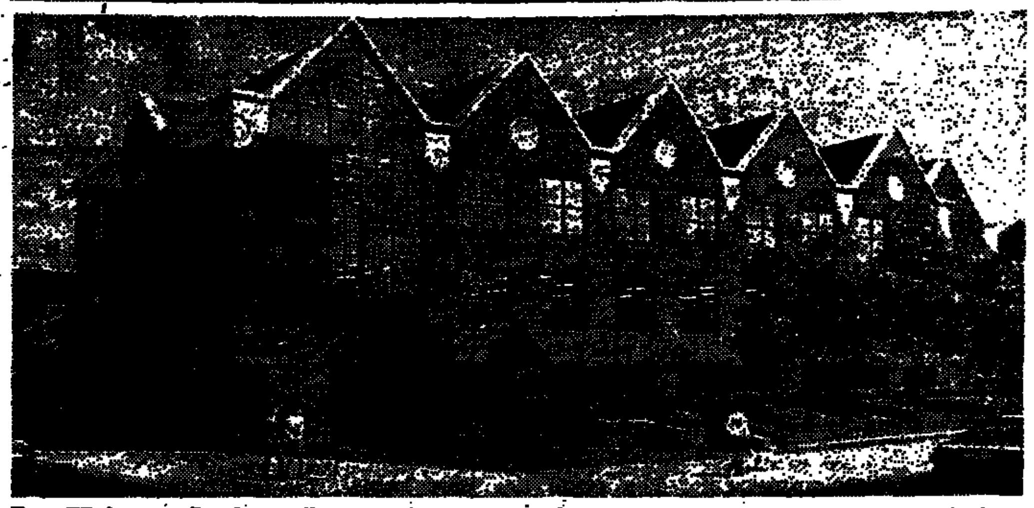
He was just back from a tour with investors of 14 sites within walking distance of the town centre which could take 30,000sq ft of floorspace each. They will be developed, he said. But there will be a lull in supply until then, adding more pressure to rents.

Lloyds Bank revived the city's profile when it decided to move to a 200,000sq ft development in the centre, bringing back memories of the wave of relocations a few years ago. But demand is mainly for small to medium size space, according to a recent Chestertons report. The top rent of around £12 a sq ft is rumoured to have been paid for a letting of about 10,000sq ft in the giant Spectrum development by Richard Ellis for the Pru.

It is like this much of the way along the M4, with the buoyant local and national economy increasing demand for space by local businesses or encouraging national groups to create bigger regional centres.

Swindon is a relative laggard according to Mr David Baker of Edward Erdman. Town centre rents hover between £8 and £10 a sq ft, even though most of the surplus space has gone, because so much of the new business class space is being encouraged on the edges of the town, close to the motorway.





Top: 75 London Road, Reading. Developers are Whitecroft Developments and Guinness Mahon Properties. Bottom: St Modwen Properties office development in High Street, West Drayton

Allied Dunbar has become a showpiece to attract other financial groups to the town centre, expanding again recently into the Commercial Union building. But developers are less tempted to put up more speculative space without pre-lets because much higher rents can be achieved on the business parks.

Newbury has a vibrant group of established companies such as Bayer and Norsk but a tight planning regime restricting development. Top rents are more than £12 a sq ft, but for small amounts of space. And some tenants are looking elsewhere to find space for expansion.

Reading, the main office focus of the explosive Thames Valley economy, is also running out of space from the boom years. Rents jumped from around £14.50 a sq ft at the beginning of last year to £17 by the close. Current negotiations are close to £18 on the space left in MEPC's Abbots House and Let's Bridge Street Plaza, and the final 50,000sq ft phase of Abbots is expected to break £20 next year.

The development gap is obvious. The Prudential's Apex Plaza being built over the station will satisfy some big tenants, but prospects for anyone else can be set against the fact that this 200,000sq ft scheme is bigger than all the other new spaces due over restrictions hold development down to small schemes in the second. When Speyhawk's 100,000sq ft Bracknell building goes, it will probably fetch more the next year put together. That will give agents Hillier Parker and Campbell Gordon some solid bargaining power in the face of mounting demand.

Slough has not seen a deal over 30,000sq ft for more than three years – mainly for lack of a big new building to let. But a handful are set to come on stream in the next 18 months to help meet demand for town centre locations from local high technology companies. A scheme such as Sun Alliance's 60,000sq ft Sovereign House could help smash the historic £18 a sq ft rent ceiling by going close to £22.

Maidenhead may have already broken this barrier with rumours that a prelet by Let in its 50,000sq ft Hines Meadow scheme could be the top rent paid outside the M25. This scheme is part of a wave of new supply already hitting the town, but confirmation of a prelet at this level will prove that demand is strong enough to keep values rising.

Bracknell and Windsor are "American" addresses – one for its established US tenants and the other for the prestige. But only three big schemes are outstanding in the first and planning than £20 a sq ft compared with the best deal of £15 until now. Windsor values would be £22 plus if there were a deal to record.

The closer the M4 comes to the M25/Heathrow nexus, the higher the values. Richard Ellis achieved the highest rent in west London with the £28 a sq ft paid by Philips Electronics for 20,000sq ft developed by Abbey National Pension Fund on Bath Road, Heathrow.

And, finally, as the motorway dives into London, the bounce-back effect of the M25 combined with moves outwards from the West End, have helped clean out the last bits of space hanging around Hammersmith's neck. Bredero can now take advantage of this after the courts threw out challenges to its permission for more than 400,000sq ft of space in the centre.

But again the hiatus in development means there will be a gap in supply before then. JLW aims to capitalise on that with the 100,000sq ft first phase of the old Cadby Hall – now Windsor Plaza. Rents will be more than £20 and could be closer to £25.

They are already past the £20 barrier on the last space in the 98,000sq ft Hammersmith Quad building. And that is a refurbishment.

So the pace of growth in values has been maintained almost all along the M4, even though development has gone through a lean patch because of some planning restrictions and disenchantment by investors. Some would say that such increases are nothing special compared with central London. West End companies are almost relieved to be paying M4 prices when they are leaving behind top rents which have risen by half to more than £50 a sq ft in a couple of years.

David Lawson

Bristol

New schemes will help to meet demand

BRISTOL'S OFFICE rental market is currently on the up and up. Rents have increased from between £6 and £7 a square foot to around £11 to £12, and it looks as though this will rise still further.

However, office supply is at a premium, and the only major development recently completed is the Prudential's Spectrum scheme, now almost fully let. Statistics from local agents Hartnell Taylor Cook show that there were only 14 office buildings available in Bristol during December 1987, excluding those under construction and under offer. Nine of these properties were between 5,000sq ft and 9,999sq ft, with only one near the 50,000sq ft mark and one other at more than 150,000sq ft: the 230,000sq ft at the Wills Tobacco plant.

The current shortage of space is because it was unprofitable to build office space several years ago. Hartnell Taylor Cook's figures show that in 1984 rents stood at just over £6 a sq ft, a level which did not encourage development. According to HTC's senior partner, Mr St John Hartnell, "there is no space at all in Bristol — well, nothing of any consequence". Lloyds Bank have taken a building in Bedminster. Spectrum, where Hartnell Taylor Cook and Richard Ellis are letting agents, is the last possible building on the market. The three main tenants in the 114,000sq ft block are Royal Life, the RAC and Welbeck Finance.

However, there are three or four major schemes about to start. In the city centre the Royal Hotel is about to be redeveloped. The Royal fell into the hands of Norfolk Capital and then went to MP Kent. There were proposals to refurbish the property and build offices. Now the hotel is owned by Swallow Hotels who are to turn it into a five star establishment with 65,000sq ft of offices on the rest of the site to help pay for the preservation of the hotel.

Hartnell Taylor Cook, who are advising the developers on the project, are hoping for between £14 and £15 a sq ft for the office space.

Mr Hartnell expects a large chunk of office accommodation to come on to the Bristol market in the very near future. Wills Tobacco had a 500,000sq ft purpose-built factory constructed outside the city, designed by architects Skidmore Owings. Subsequently, Lord Hanson bought out Imperial Tobacco, owners of Wills, leaving 230,000sq ft of offices surplus to requirements.

Mr Andrew Hardwick of Chesterton points to the high take up of office space over the last year. He says that about 850,000sq ft has been let in the last year. Supply is now down to 450 000sq ft in total compared with 1.1m sq ft two years ago. There has been a general uplift in rents over the last 12 months — which in turn will lead to increased development and investment.

Spectrum is the most famous landmark in Bristol. It was slow to let but Royal Life and the RAC have now taken space at about £10 a sq ft.

Bristol's shopping scene has long been a source of controversy in the town centre/out of town debate. The two protagonists at out of town Cribbs Causeway, JT Baylis and the Prudential, have now decided to join forces and have been asked by the council to come up with a scheme which provides approximately 575,000sq ft of shopping and extensive leisure facilities.

Originally, the two developers had wanted to build two separate centres next door to one another, both of 650,000sq ft. When it became clear that the planners would not sanction two schemes, Baylis and the Pru decided to pool resources.

What the effect of such a massive scheme will be on the city centre, and in particular Broadmead, the traditional heart of Bristol's shopping, is not yet clear. Ladbroke City & County Land now have full planning permission for the Galleries, a scheme on a 5.5 acre site, bounded by Broadmead, Merchant Street, Newgate and Union Street.

The project will have 571,676sq ft of shopping. Architects for the Galleries are Leslie Jones and letting agents Hartnell Taylor Cook and Hammond Phillips.

Commenting on the current shopping situation in Bristol, Mr Stuart Williams of Chesterton says: "The overall view is that demand is very strong and this is reflected in the substantial level of premiums being achieved for relatively secondary property. In Penn Street we got a £55,000 premium for a shop where 18 months ago we wouldn't have got £10 000."

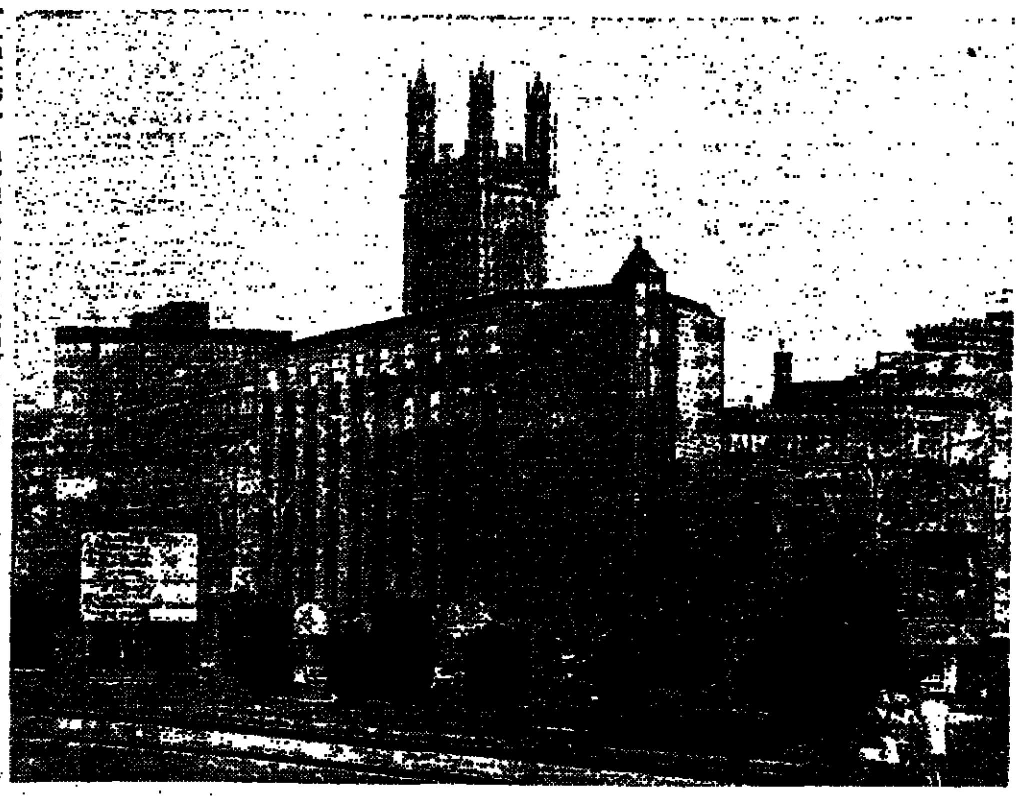
Probably Bristol's most famous business park development is Arlington Securities' Aztec West which is now on course for 2m sq ft of space. More than 700,000sq ft, covering half of the 157 acre site, has been let and about 180,000sq ft is due for completion between now and the end of the year.

The news at the end of last year that Bristol had been chosen by the Government for an urban development corporation (UDC) has met with a guarded welcome from local surveyors JP Sturge & Sons. The firm says: "It will be impossible to assess the true impact of the corporation until it is actually running because circumstances are so different from elsewhere in the country." Virtually all controls are taken from the local authority and given to the UDC.

JP Sturge's development partner, Mr Edward Cussen, expects resistance from the local authority. He says: "The local authorities will undoubtedly view an outside body, which comes in and takes some of their powers away, with some suspicion. I believe that local authority support is crucial."

Mr Cussen adds: "I also believe that development should not be encouraged in opposition to market forces and to the disadvantage of more important strategic issues."

Janice McKenzie



Planning permission is being sought for the refurbishment of Sun Alliance House in Bristol

Housing

Battle royal for the royal county

IT IS High Noon for Newbury and pistols at dawn at Wokingham. Somewhere, in the narrow pass between a designated Green Belt and a designated Area of Outstanding Natural Beauty, not a million miles from Reading, there is to be a fight to the last semi between the reds, with their bricks and mortar, led by the Housebuilders' Federation and Consortium Developments, and the green cavalry led by Mr Michael Heseltine.

The *sheriff*, Mr Nicholas Ridley, recently realised that demand for housing in the South-East was going to be so great — an extra million before the end of the century — that something would have to give, and that something might as well be undesignated areas previously not considered worthy of special environmental protection. But the preacher, the Council for the Protection of Rural England (CPRE), has mounted an extremely large soap box and described the 7,000 additional houses allowed by Mr Ridley in Berkshire as a "death threat".

Worthy of a film by David Puttnam, perhaps A Killing in the Green Fields? But wait — the great and good Mr Puttnam himself has become something less of a Local Hero and fallen foul of the CPRE over his attempts to divert an historic footpath to stop passers-by peering into the historic living room of his typical village home in nearby Wiltshire.

The Puttnam episode has little significance in the Berkshire row other than to cause a second look to be taken at the CPRE's "death threat" leaflet. It contains the signatures of, among others, Tim Brooke-Taylor, Peter de Savary, Ernie Wise, Sir Michael Hordern, Wendy Craig and that well-known environmentalist and woodlands enthusiast Terry Wogan. Their slogan is "Keep Berkshire Beautiful".

The battle centres round 7,000 houses to be built (or not) between now and 1996 — the difference between the 36,530 the county council is prepared to accept and the 43,500 the Environment Secretary thinks are needed. Both figures imply a substantial reduction from current levels of 4,900 completions a year to 3,000 or fewer. Maintaining current levels, as requested by the Housbuilders Federation, would bring the 1996 total to 59,000.

The increases mainly affect Slough, Wokingham, Bracknell and Newbury. This is almost inevitable: in spite of the CPRE's protestations about "some of Britain's finest scenery," the areas in question have not been considered attractive enough to merit any special protection — and in that they are almost unique in the Home Counties, where Green areas now leave little room for flexibility.

The problem is that economic prosperity is affected by housing. People may be prepared — reluctantly - to commute to London or Manchester, but they do not expect to have to spend hours on the road commuting to the North Earley Business Park, Mulberry Business Park at Wokingham, or the Winnersh Triangle.

John Norgate is chairman of Trencherwood, a development company which now has 55 per cent of the local new housing market in West Berkshire. Once a sleepy rural community, the Newbury/Thatcham area has in recent years been "invaded" by Norsk Data, Sony, Racal, Digital, Bayer, BOC and others. Norgate welcomed the increase in provision for the area from 850 units to 2,200, but still regards it as inadequate.

"We and other local developers believe that a total of 2,500 new units are needed just for indigenous growth, and that does not allow for any significant in-migration generated by the area's commercial strength. In the starter home category, particularly, we cannot meet the strong demand because there is not enough land coming forward."

Waiting in the wings as the drama unfolds is Consortium Developments, the grouping of Britain's top housebuilders seeking to establish "new country towns" instead of the *ad hoc* sprawling growth and infilling which is currently the order of the day.

Consortium made the critical error of siting their first such settlement in the Metropolitan Green Belt, and they have learned the lesson. But, while they have no designs on Berkshire, they too are finding that not being in the Green Belt in no way lowers the decibels of opposition.

Both their current sites, Foxley Wood in Hampshire and Stone Bassett in Oxfordshire, are miles away from any designated area. Their opponents have now substituted the meaningless "green fields" for the sacrosanct Green Belt and continue to cry Blue Murder.

Berkshire may now be the epicentre of the tremour, but the vibrations are spreading. Nobody loves a housebuilder or a new estate. But whether victory eventually goes to the bricks or the brickbats will have a profound effect on broader issues. In a way, the battle of the prosperity of the South-East is being fought on the green fields of Berkshire.

Mira Bar-Hillel

Mr Nicholas Ridley gets dug in

Slough

B1 leads to upturn

SLOUGH has benefited from the general prosperity of the Thames Valley and 1987 was a particularly good year for the town. All sectors of the market have done well out of the boom.

Slough Estates, probably one of the best-known developers in the country, are currently revamping the famous Slough Trading Estate. Pre-war buildings have been pulled down to make way for high tech space, but at the same time traditional industry on the estate has not been as hard hit as in other parts of the country.

Long-established tenants have tended to relocate to other parts of the estate rather than move out.

By the end of next year nearly all the land that could be developed on the 600-acre estate will have been built on and Slough Estates is now looking at new sites on the estate's boundary in Farnham Road.

Not that there is a lack of redevelopment opportunity on the estate itself — it is estimated that it would take 30 years to redevelop the entire property, even if development were to continue at its present rate of 250,000sq ft a year.

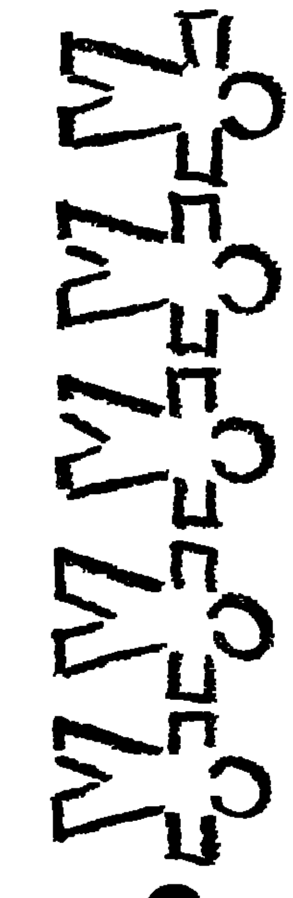
The company has now received planning permission for 75,000sq ft of offices in Buckingham Avenue; 35,500sq ft of mixed use in Bestobell Road; and 61,000sq ft also of mixed use at 266 Bath Road.

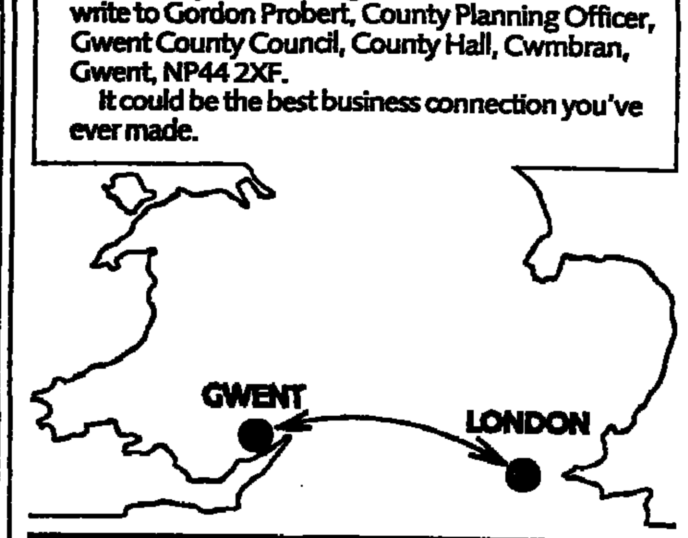
Retail warehousing has made only a small inroad into the estate with the latest development being a WH Smith Do It All on Farnham Road.

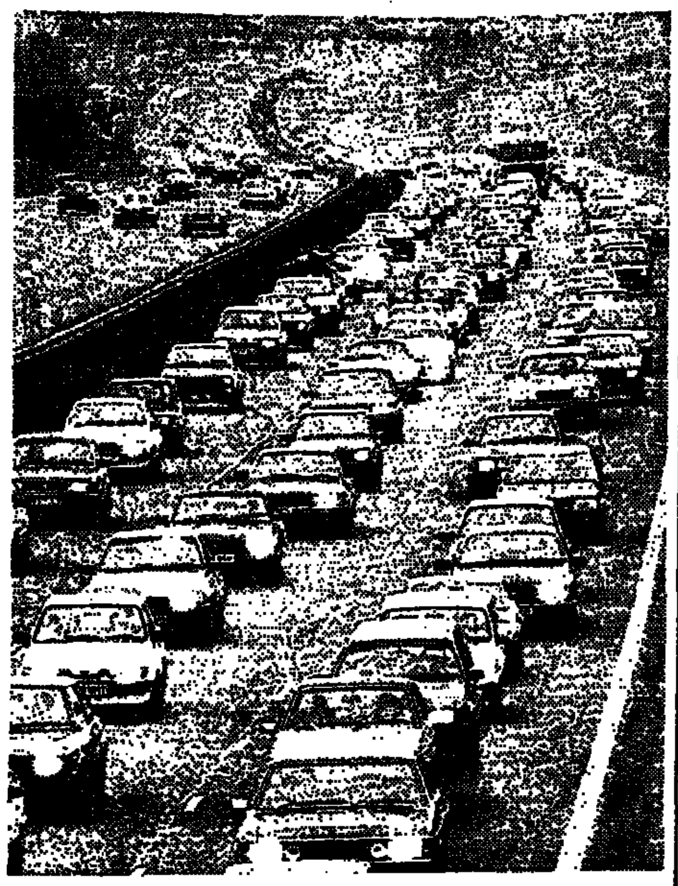
The former council-owned social centre nearby is currently the subject of talks between Slough Estates and the borough council. The council favours a commercial project so that the money generated can be used to provide leisure facilities elsewhere.

Other industrial companies involved in the Slough market include Crest Estates who have built the Progress Business Centre on Whittle Park Way, to the west of the trading estate and opposite the spur to Junction

Continued on p4







Homeward eastbound: a less-appealing face of the M4. Easter Monday saw a 120 mile, Bristol to London traffic jam — reported to be a record for the M4

IN JANUARY of this year Mr Nicholas Ridley, Environment Secretary, published his proposed modification to the draft replacement Structure Plan for Berkshire. His decisions on the house-building front, closely followed by colourful exchanges with a former Environment Secretary, Mr Michael Heseltine, grabbed the headlines, but his other pronouncements will have considerable effects on the commercial property scene as well.

Overall, Mr Ridley has accepted that Central Berkshire will no longer be regarded as a growth area, thereby trying to balance the pressures for housing and employment, with the "not in my back yard" attitude of local politicians.

But at the same time, he rejected the county council's recently adopted policy statement on B1 (the B1 class eliminates the difference between industrial and office use and creates a general business category) and rejected their attempts to control the rate of office development and an upper limit on additional retail space.

However, according to Berkshire agents, Campbell Gordon: "It is inconceivable that there will be a sufficient supply of employment accommodation to satisfy local demand."

It is against this background and — for potential occupiers at least — pessimistic outlook, that the facts must be analysed.

Demand for commercial and industrial property in the Thames Valley continues apace. For the second year running, demand for space has topped 20m sq ft - but there has been a discernable shift in what tenants are looking for.

Berkshire

Shift away from warehousing

Campbell Gordon are well placed to gauge the latest trends. They find that demand for light industrial space — basic units with ancillary office accommodation — has increased by 30 per cent from 1986 to 1987. Demand for office and industrial space — high tech and the new B1 category — increased by about 20 per cent. Both flourished at the expense of warehousing and town centre office space for which demand has fallen.

Mr Ian Campbell says the continuing success of the area and firms operating in it depends on their ability to find the variety of space they need. Current demand is for more small units of accommodation of good quality — provided they can be available on short lease terms. His own firm was approached in 1987 by 1,390 companies seeking accommodation — 869 of them wanting at least 5,000sq ft.

The level of rents has also increased. The fastest growth sector during 1987 was factory and warehouse rents, often reflected in high premiums which are up from about £4 a sq ft to almost £6.

On the other hand, rents for the best type of high tech space,

The high tech market is volatile and tenants require more attention

now tidily categorised B1, are approaching office rents as the electronics and computer companies continue to be drawn to the area.

The effects of Black Monday are certainly minimal to non-existent at present and are expected to remain very limited: demand has recovered from the 1985 low of 5.5m sq ft to 8.4m last year. Ian Campbell is especially encouraged that three-quarters of total demand is from companies looking for high tech space not over 15,000 sq ft. "This is clear evidence of a strong and healthy level of activity among the small firms in the area, many newly established."

A useful indicator of the property market in Berkshire has been the decision of Digital Equipment, which has headquarters in Reading, to buy 30 acres on the North Earley Business Park. This was greeted with great relief in the area, since the failure of Reading Council to tackle its traffic problems was seen by local agents to be causing several companies in the town to look elsewhere.

Tardiness in implementing road-building programmes has shaken up the office market, which has fallen well behind London rents. Reading office rents, with a high around £17 a sq ft, are now more like those in Basingstoke, while the West End has shot ahead, hitting the £50 a sq ft mark.

Major road programmes are now in hand.

According to Simon Fryer of Campbell Gordon, the unexpected Cinderella of Berkshire is traditional industrial space. This is not really all that unexpected, since rentals in this sector tend to equate to premiums paid on high tech.

This means there is little interest in providing such space, it is therefore difficult to find, and anyone who really wants it is having to pay more. But £6-7 a sq ft, even if it is a 50 per cent rise from £4-5 a sq ft, is still a meagre incentive for investors who tend to try their luck on B1 units instead. Here the returns can be much higher — once the property is let.

But even the high tech silver lining has a cloud. The market is volatile and tenants require more attention, be it at the planning, design, fitting out or lease drafting stages. One offshoot of an American company took 7,000sq ft in Berkshire in 1987 — and now want 40,000sq ft for occupation by autumn 1988. Such companies are reluctant — and some refuse outright — to accept 25-year leases.

So what of Cinderella? Crest Estates has built a new industrial development in Wokingham called Full Circle. It is so named, say the developers, to indicate that the industrial sector has come full circle from traditional sheds, through high tech and B1 — right back to sheds again. Of course, this depends on demand for high tech stabilising so that pressure on land prices is eased. Then sheds, like Full Circle's, on a site without a main road frontage, can be offered at £6.25-6.75 a sq ft, unfitted, with 30 per cent office space, no tenant incentives and no break clauses.

Mira Bar-Hillel

Portman Hotel

Park Lane Hotels International bought the Churchill Hotel, Portman Square, London, and not the Portman Hotel, as stated in the West End and Victoria Property Survey of March 11.

B1 leads to upturn in Slough

Continued from p3

Seven of the M4. The 68,800sq ft scheme has 23 high tech units from 1,700 to 5,000sq ft and so far 14 have been sold, although the development is only now nearing completion.

Most of the buyers have been owner-occupiers but some have been bought by investors. Agents for the project are Strutt & Parker, Chilvers and Croft & Co.

The M25 had an injurious effect on Slough's office market since it came along at a time when the town had little to offer in the way of new development. London & Provincial Shop Centres, now a part of Randsworth Trust, ran into problems with one of their schemes three years ago and had to drop the asking rent from £17.50 a sq ft in order to let the property.

Now the town's office allocation has been sorted out by the planners, the office development scene looks set to boom again. Nearly 750,000sq ft is either under construction or at the planning stage. However, only a tenth of this will be completed by the end of the year.

If everything goes according to plan, then rents should hit the £20 a sq ft mark although current rents are nowhere near this and have been sticking for about two years.

The highest rent yet achieved, according to local agents Giddy & Giddy, has been £17 a sq ft for the Beacontree Oriel development at 1 London Road where the firm let space to Altos Computers. Other new space let in 1987 was limited to smaller developments of between 2,000 and 6,000sq ft.

Giddy & Giddy says: "The introduction of the Use Classes Order has resulted in a dramatic upturn in Slough in new office/B1 developments now under construction. [The new B1 class makes no distinction between industrial and office use]. At the present time 10 major projects have reached this stage with an aggregate floor area of 265,870sq ft.

"Some of the schemes are likely to be projected to achieve rentals around and above £20 a sq ft.

"During the coming year, we expect at least 23 office B1 schemes to be started, with a projected floor area in excess of 400,000sq ft. The majority of these schemes are entirely new developments but in the future we foresee that developers and owners will be forced to recycle existing substantial 1960s and 1970s buildings which are virtually unlettable in the second-hand market."

The agents continue: "The advent of the new B1 Use Class Order is yet to have its full impact. However, at the present time buildings totalling 87,000sq ft are under construction in Langley and two schemes involving 140,000sq ft are on the point of completion on the Bath Road.

Slough trading estate

Slough Estates has three B1 use buildings under construction and these are certainly unlikely to be the last, as recent negotiations within the estate indicate that a number of their Bath and Farnham Road frontage sites will be back in their hands in the next year or so.

The agents say that next year may well see a new type of property entering the market: the small self-contained building of between 1,500 and 3,000sq ft to be offered for sale freehold for owner-occupiers.

Currently four schemes for such units are at advanced planning stage, with prices of about £200 to £260 a sq ft being anticipated depending on the location.

Demand for these units is said by the agents to be good.

Sue Denim

Anthony Moreton on south Wales property

Cardiff boom goes westward

"WE ARE in a boom. There is no other word to describe it." The speaker is Mr Roger Thomas, of Cooke & Arkwright, in Cardiff, and he is describing the property situation along the motorway around the Welsh capital.

Others support his view. Debenham Tewson & Chinnocks' Mr Rhys James adds that "demand is buoyant across the board, and the general upturn in the economy is being reflected throughout the property market."

And Beverley Jones, of the Chepstow firm Beverley Jones and Partners, says that south Wales is "beginning to sense an M4 corridor factor".

The man best placed to confirm that is Phil Head, property director of the Welsh Development Agency, who, a year ago, was concerned that, while property interest was building up at the entrance to south Wales, it was still difficult to convince developers of the attractions of Swansea and points west.

Today, he is a lot more optimistic. His property portfolio ranges from Milford Haven to Newport, and a lot up the industrial valleys.

His view is that, while there are some difficulties in attracting people beyond Bridgend, it is a lot easier than 12 months ago. "In fact, we have almost nothing now in Llanelli, and the very strong demand being experienced in south Wales is spread over the whole area."

The WDA is virtually devoid of any lettable units near the motorway itself, and a big building programme will take place this year to cater for demand. In particular, the agency is turning increasingly to the high-tech units sought by modern industry, and is bringing forward sites in both Swansea and Llanelli. It is also building in the Bridgend area, which has had a remarkable success rate in lettings.

That success can be seen most obviously in the centre of Cardiff, where New Baltic House, an office block, is approaching completion and the Bailey group has a number of developments in hand, one of which is a 65,000sq ft office block bought from South Glamorgan County Council, which this summer moves into a new headquarters in Cardiff's docklands.

The redevelopment of Cardiff's decaying docklands by a development corporation will focus enormous attention on the city and the rest of south-east Wales, especially as an imaginative scheme has just been launched to turn this part of the country into a major financial centre. The intention is to build a balanced community in the bay, in which financial services will play a vitally important role. A large number of high-tech buildings will be needed.

Before that can happen, Newport is the focus of more immediate attention as the TSB's insurance operations begin to filter into the town and the Patent Office is, in the near future, relocated there from London.

Mr Peter Walker, the Welsh Secretary, tells a story of how three young executives led a deputation to their chairman when it was announced, six years ago, that their banking operation was to be transferred to Cardiff.

Now, he has been informed, these same executives would lead another deputation to their chairman if there was any possibility of the bank's being moved out of the Welsh capital. They want to stay.

It is factors such as this that have helped boost demand within south Wales. And the rising demand has led to higher rent rolls, which will in a circular fashion lead to more interest from the private sector.

Mr Head says that rents for high-tech units in Newport have topped £6 a square foot, and in Bridgend they are between £3 and £4 for units over 25,000sq ft. In Cardiff, prices are approaching £10.

Mr James believes that "the magic £10 barrier will be broken in the course of the year". However, as Mr Jones says, prices are still very cheap compared with just across the Severn Bridge. Land around Bristol is commanding £250,000 an acre, compared with under £100,000 in the Newport area. So it pays to move just a few miles to the west.

For many, the Severn Bridge itself is an inhibiting factor. But when the second Severn crossing is completed, in the early 1990s, it should lead to a price explosion in south Wales; so that, as Mr Head comments, "the time to get in on the ground floor is now".

"I certainly see an escalation in property being more highly-rated than in the past," Mr Thomas adds. "Every junction on the motorway is now a target for development."

For Mr Head, one of the most encouraging features of the past year has been the way in which investment interest has spread up the industrial valleys, long ignored by the developers. The WDA has very little property available in the valleys, and Mr Head attributes this situation not just to the buoyant economy but also to the improvement in the roads that run up the valleys themselves.

There has been an enormous improvement in the roads in south Wales, with dual carriageways running part or most of the way up many valleys. This has made it easier for a company to consider a location such as the Rhondda.